

Internal Revenue Service  
Tax-Exempt & Government Entities Division  
Office of Exempt Organizations  
Draft Form 990 Redesign – Core Form  
June 14, 2007

**Overview**

- **Heading**
    - changed Final Return to Termination to ensure box is checked accurately
    - eliminated group return information and group exemption number<sup>1</sup>
    - added year of formation
    - added state of legal domicile
    - moved books are in care of from Part VI
    - moved Schedule B question to Part VII, question 17
  - **Part I Summary** – added to summarize information reported in the return and all required schedules
  - **Part II Officers, Directors, Trustees, etc.**
    - changed address reporting to request city and state of board members – address of organization no longer acceptable due to need for improved identifiers while addressing privacy concerns
    - added compensation for highly compensated and independent contractors (previously on Schedule A) which extends reporting requirement to all – not just (c)(3) – filers
    - changed reporting requirement to Form W-2 and 1099
    - added questions on transactions with insiders which eliminates 2006 990 questions 75a, b and c and related attachments
  - **Part III Governance** – added to identify potential compliance issues resulting from governance and management practices
  - **Part IV Revenue Statement**
    - combined Revenue section (2006 Part I) with Analysis of Income Producing Activities (2006 Part VII) to eliminate redundancy and improve accuracy
    - eliminated use of Exclusion Codes for revenue excluded from tax under sections 512, 513 or 514
    - eliminated schedules for Other Investment Income, Sales of Inventory, and Sales of Assets Other than Inventory
  - **Part V Expense Statement**
    - revised lines to reflect most frequently incurred expenses to reduce the amount of expenses reported in Other
    - added payments to affiliates which was previously included in Part I Expenses section on 2006 990
    - eliminated question about SOP 98-2 reporting and replaced with requirement that (c)(3) and (c)(4) organizations follow 98-2 in allocating expenses
    - eliminated schedules for Benefits Paid to Members, Payments to Affiliates and Depreciation (including Form 4562)
  - **Part VI Balance Sheet**
    - eliminated schedule for Other Notes and Loans Receivable and Other Mortgages and Notes Payable
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- created Schedule L to provide detail on receivables from and payables to officers, directors, trustees, key employees and other disqualified persons
- created Schedule D to consolidate schedules for other items
- eliminated substitution of parts of other forms, i.e. LM2/LM3 for both the Balance Sheet and the Statement of Expenses
- Parts VII and VII – restructured 2006 990 Part VI and Schedule A Part III questions to prompt organizations to attach schedules and file other returns as required
- Part IX Program Service Accomplishments
  - eliminated attachment of organizing documents when modified
  - added column for Direct Revenue to allow organizations to report revenue for particular programs, if any

**Where did it go?**

- Boxes H and I – eliminated (see request for comments on eliminating group returns)
- Reconciliation of net assets (lines 18-21) – moved to Schedule D, Part XIII
- Reconciliations of Revenues and Expenses to Audited Financial Statements – moved to Schedule D, Parts XIV and XV
- Relationship of Activities to the Accomplishment of Exempt Purposes – eliminated
- Information Regarding Taxable Subsidiaries and Disregarded Entities – moved to Schedule R
- Information Regarding Transfers Associated with Personal Benefit Contracts – moved to Form 990, Part VIII, question 4
- Information Regarding Transfers to Controlled Entities – moved to Schedule R

# 20XX Instructions for Form 990

## Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

### General Instructions<sup>2</sup>

#### A. Who Must File

Form 990 must be filed by an organization exempt from income tax under Internal Revenue Code section 501(a) if it normally has gross receipts greater than or equal to \$100,000 **and** total assets greater than or equal to \$250,000 at the end of the year. This includes the following:

- organizations described in section 501(c)(3);
- foreign and cooperative service organizations described in sections 501(e) and 501(f);
- child care organizations described in 501(k);
- charitable risk pools described in 501(n);
- controlling organizations described in section 512(b)(13); and
- trusts described in section 4947(a)(1).

For purposes of these instructions, the term section 501(c)(3) includes organizations exempt under sections 501(e), (f), (k), and (n).

*Gross receipts* are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

**TIP:** If an organization normally has gross receipts less than \$25,000, it must file Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ*. If an organization normally has gross receipts less than \$100,000 and total assets at the end of the year less than \$250,000, it may choose to file Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax*, instead of Form 990. See the instructions for these forms for more information. However, controlling organizations described in section 512(b)(13) and supporting organizations described in section 509(a)(3) must file Form 990 regardless of their size.

**TIP:** Certain Form 990 filers **must** file electronically. See *General Instruction E* for who must file electronically.

#### 501(c)(15) Organizations

A section 501(c)(15) organization applies the same gross receipts test as other organizations to determine whether they must file the Form 990.

However, section 501(c)(15) insurance companies are also subject to separate tests to determine whether they qualify as tax exempt for the tax year. The following tests use a specific definition for gross

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<sup>2</sup> Eliminating the following General Instructions found in the 2006 Instructions: D. Forms and Publications, E. State Reporting Requirements, F. Other Forms as Partial Substitutes, L. Contributions, M. Public Inspection, N. Disclosures Regarding Certain Information and Services Furnished, O. Disclosures Regarding Certain Transactions and Relationships, P. Excess Benefit, Q. Erroneous Backup Withholding, R. Group Return, S. Organizations in Foreign Countries and U.S. Possessions, U. Political Organizations, V. Personal Benefit Contracts, W. Prohibited Tax Shelter Transactions

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receipts (defined below) *only* for purposes of these tests. Insurance companies that do not qualify as tax exempt must file Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return, or Form 1120, U.S. Corporation Income Tax Return, as taxable entities. See Notice 2006-42, 2006-19 I.R.B. 878 for more information.

**Tests for section 501(c)(15) insurance companies to qualify as tax exempt for the tax year.**

If any section 501(c)(15) insurance company normally has gross receipts of more than \$25,000 for the tax year and meets both parts of the following test, then the company can file Form 990.

1. The company's gross receipts must be equal to or less than \$600,000, and
2. The company's premiums must be more than 50% of its gross receipts.

If the company did not meet this test and the company is a mutual insurance company, then it must meet the *Alternate test* to qualify to file Form 990. Otherwise, the company must file Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*, or Form 1120 *U.S. Corporation Income Tax Return*, as appropriate.

**Alternate test.** If any section 501(c)(15) insurance company is a mutual insurance company and it did not meet the above test, then the company must meet both parts of the following alternate test.

1. The company's gross receipts must be equal to or less than \$150,000, and
2. The company's premiums must be more than 35% of its gross receipts.

If the company does not meet either test, then it must file Form 1120-PC or Form 1120 (if the company is not entitled to the insurance reserves) instead of Form 990.

*The alternate test does not apply if any employee of the mutual insurance company or a member of the employee's family is an employee of another company that is exempt under section 501(c)(15) (or would be exempt if this provision did not apply).*

**Gross receipts.** To determine whether a section 501(c)(15) organization satisfies either of the above tests, figure gross receipts by adding (1) premiums (including deposits and assessments) without reduction from return premiums or premiums paid for reinsurance; (2) gross investment income of a non-life insurance company (as described in section 834(b)); and (3) other items that are included in the filer's gross income under Subchapter B, Chapter 1, Subtitle A of the Code. This definition does not, however, include contributions to capital. For more information, see *Notice 2006-42, 2006-19 I.R.B. 878*.

*Premiums* consist of all amounts received as a result of entering into an insurance contract.

**Anti-abuse rule.** The anti-abuse rule found in section 501(c)(15)(C) explains how gross receipts (including premiums) from all members of a controlled group are aggregated in figuring the above tests.

**Political Organizations.** Tax-exempt political organizations must file Form 990 unless excepted from filing under 14 or 15 of General Instruction B. A qualified state or local political organization (defined below) must file Form 990 (not Form 990-EZ) only if it has gross receipts of \$100,000 or more.

A **qualified state or local political organization** is a type of political organization that meets the following requirements:

- It limits its exempt function to the *selection process* relating solely to any state or local public office or office in a state or local political organization;

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- It is required under a state law to report to a state agency (and does report) information that otherwise would be required to be reported on Form 8872 or it is required to report under state law (and does report) at least the following information:
  - The name and address of every person who contributes a total of \$500 or more during the calendar year and the amount of each contribution;
  - The name and address of every person to whom the organization makes expenditures aggregating \$800 or more during the calendar year, and the amount of each expenditure; and
  - Any additional information specified in Section 527(j)(3), if the state law requires the reporting of that information to the state agency.
- The state agency makes the reports filed by the organization publicly available;
- The organization makes the reports filed with the state agency publicly available in the manner described in IRC section 6104(d); and
- No federal candidate or office holder controls or materially participates in the direction of the organization, solicits contributions to the organization, or directs any of the organization's disbursements.

**Section 4947(a)(1) Non-Exempt Charitable Trusts.** A non-exempt charitable trust described under section 4947(a)(1) of the Code (that is not treated as a private foundation) is required to file Form 990 or Form 990-EZ, along with a completed Schedule A. See "Forms and Publications" for more information on when non-exempt charitable trusts do not have to file Form 1041, *U.S. Income Tax Return for Estates and Trusts*.

## **B. Organizations Not Required to File Form 990**

An organization does not have to file Form 990 even if it has more than \$100,000 of gross receipts and \$250,000 of assets if it is described here:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group).
2. A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs and is described in Rev. Proc. 96-10, 1996-1 C.B. 577.
3. A school below college level affiliated with a church or operated by a religious order.
4. A mission society sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at, persons in foreign countries.
5. An exclusively religious activity of any religious order.
6. A state institution whose income is excluded from gross income under section 115.
7. An organization described in section 501(c)(1). A section 501(c)(1) organization is a corporation organized under an act of Congress that is:
  - An instrumentality of the United States, and
  - Exempt from federal income taxes.
8. A private foundation exempt under section 501(c)(3) and described in section 509(a). Use Form 990-PF, *Return of Private Foundation*.
9. A black lung benefit trust described in section 501(c)(21). Use Form 990-BL, *Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons*.
10. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. Use Form 5500, *Annual Return/Report of Employee Benefit Plan*.

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11. A religious or apostolic organization described in section 501(d). Use Form 1065, *U.S. Return of Partnership Income*.
12. A foreign organization whose annual gross receipts from sources within the U.S. are normally \$25,000 or less (Rev. Proc. 94-17, 1994-1 C.B. 579).
13. A governmental unit or affiliate of a governmental unit described in Rev. Proc. 95-48, 1995-2 C.B. 418.
14. A political organization that is:
  - A state or local committee of a political party;
  - A political committee of a state or local candidate;
  - A caucus or association of state or local officials;
  - An authorized committee (as defined in section 301(6) of the Federal Election Campaign Act of 1971) of a candidate for federal office;
  - A national committee (as defined in section 301(14) of the Federal Election Campaign Act of 1971) of a political party;
  - A United States House of Representatives or United States Senate campaign committee of a political party committee;
  - Required to report under the Federal Election Campaign Act of 1971 as a political committee (as defined in section 301(4) of such Act); or
  - An organization described under section 6033(g)(3)(G).
15. Except for supporting organizations described in section 509(a)(3), and organization whose gross receipts are normally \$5,000 or less.

### **C. Exempt Organizations Reference Chart**

To determine how the instructions for Form 990 apply to the organization, an organization must know the Code section under which the organization is exempt.

<b>Type of Organization</b>	<b>I.R.C Section</b>
Corporations Organized Under Act of Congress	501(c)(1)
Title Holding Corporations	501(c)(2)
Charitable, Religious, Educational, Scientific, etc. Organizations	501(c)(3)
Civic Leagues and Social Welfare Organizations	501(c)(4)
Labor, Agricultural, and Horticultural Organizations	501(c)(5)
Business Leagues, etc.	501(c)(6)
Social and Recreation Clubs	501(c)(7)
Fraternal Beneficiary and Domestic Fraternal Societies and Associations	501(c)(8) & (c)(10)
Voluntary Employees' Beneficiary	501(c)(9)

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Associations

Teachers' Retirement Fund Associations	501(c)(11)
Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc.	501(c)(12)
Cemetery Companies	501(c)(13)
State Chartered Credit Unions, Mutual Reserve Funds	501(c)(14)
Insurance Companies or Associations Other than Life	501(c)(15)
Cooperative Organizations to Finance Crop Operations	501(c)(16)
Supplemental Unemployment Benefit Trusts	501(c)(17)
Employee Funded Pension Trusts (created before 6/25/1959)	501(c)(18)
Organizations of Past or Present Members of the Armed Forces	501(c)(19) & (c)(23)
Black Lung Benefit Trusts	501(c)(21)
Withdrawal Liability Payment Funds	501(c)(22)
Title Holding Corporations or Trusts	501(c)(25)
State-Sponsored Organizations Providing Health Coverage for High-Risk Individuals	501(c)(26)
State-Sponsored Workmen's Compensation and Insurance and Reinsurance Organizations	501(c)(27)
Religious and Apostolic Associations	501(d)
Cooperative Hospital Service Organizations	501(e)
Cooperative Service Organizations of Operating Educational Organizations	501(f)
Child Care Organizations	501(k)
Charitable Risk Pools	501(n)
Political Organizations	527

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## **D. Accounting Periods and Methods**

**TIP:** See IRS Publication 538, Accounting Periods and Methods, for detailed discussions about reporting of changes to your accounting periods and methods.

**Calendar year.** Use the 20XX Form 990 to report on the 20XX calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

**Fiscal year.** If the organization has established a fiscal year accounting period, use the 20XX Form 990 to report on the organization's fiscal year that began in 20XX and ended 12 months later. A fiscal year accounting period should normally coincide with the natural operating cycle of the organization. Be certain to indicate in the heading of Form 990 the date the organization's fiscal year began in 20XX and the date the fiscal year ended in 20XX.

**Short period.** A short accounting period is a period of less than 12 months.

If the Form 990 for the short year is not available until the subsequent year, use the prior year Form 990 to meet the organization's filing requirement. Cross out the year on the form and show the short year.

**Accounting period change.** If the organization changes its accounting period, it must file a Form 990 for the short period resulting from the change. Write "Change of Accounting Period" at the top of this short-period return.

If the organization changed its accounting period within the 10-calendar-year period that includes the beginning of the short period, and it had a Form 990 filing requirement at any time during that 10-year period, it must also attach a Form 1128 to the short-period return. See Rev. Proc. 85-88, 1985-2 C.B. 740.

### **ACCOUNTING METHODS**

Unless instructed otherwise, the organization should generally use the same accounting method on the return to figure revenue and expenses that it regularly uses to keep its books and records. To be acceptable for Form 990 reporting purposes, however, the method of accounting must clearly reflect income.

Generally, the organization must file Form 3115 to change its accounting method. Notice 96-30, 1996-1 C. B. 378, provides relief from filing Form 3115 to section 501(c) organizations that change their method of accounting to comply with the provisions of SFAS 116, Accounting for Contributions Received and Contributions Made. In SFAS 116, the Financial Accounting Standards Board revised certain generally accepted accounting principles relating to contributions received and contributions awarded by not-for-profit organizations.

A not-for-profit organization that changes its method of accounting for federal income tax purposes to conform to the method provided in SFAS 116 should report any adjustment required by section 481(a) on Schedule D of Form 990. The adjustment should be identified as the effect of changing the method provided in SFAS 116. The beginning of year statement of financial position (balance sheet) should not be restated to reflect any prior period adjustments.



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**State reporting.** If the organization prepares Form 990 for state reporting purposes, it may file an identical return with the IRS even though the return does not agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990 for filing with the IRS.

**Example 1:** The organization maintains its books on the cash receipts and disbursements method of accounting but prepares a state return based on the accrual method. It could use that return for reporting to the IRS.

**Example 2:** A state reporting requirement requires the organization to report certain revenue, expense, or balance sheet items differently from the way it normally accounts for them on its books. A Form 990 prepared for that state is acceptable for the IRS reporting purposes if the state reporting requirement does not conflict with the Form 990 instructions.

An organization should keep a reconciliation of any differences between its books of account and the Form 990 that is filed.

Most states that accept Form 990 in place of their own forms require that all amounts be reported based on the accrual method of accounting.

## **E. When, Where, and How to File**

File Form 990 by the 15<sup>th</sup> day of the 5<sup>th</sup> month after the organization's accounting period ends. If the regular due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

If the organization is liquidated, dissolved, or terminated, file the return by the 15<sup>th</sup> day of the 5<sup>th</sup> month after liquidation, termination, dissolution, or termination.

If the return is not filed by the due date (including any extension granted), attach a statement giving the reasons for not filing on time. Send the return to the:

Internal Revenue Service Center  
Ogden, UT 84201-0027

**Private delivery services.** The organization can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax return payments. These private delivery services include only the following,

- DHL Express (DHL): DHL "Same Day" Service, DHL Next Day 10:30 AM, DHL Next Day 12:00 PM, DHL Next Day 3:00 PM, and DHL 2<sup>nd</sup> Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2<sup>nd</sup> Day Air, UPS 2<sup>nd</sup> Day Air AM, UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

**Electronic Filing.** The organization can file Form 990 and related forms, schedules, and attachments electronically. However, if an organization files at least 250 returns during the calendar year and has total assets of \$10 million or more at the end of the tax year, it must file Form 990 electronically.

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To determine if the organization meets the \$10 million asset test, use the amount that will be entered on Form 990, Part VI, line 17 (total assets), column (B).

If an organization is required to file a return electronically but does not, the organization is considered not to have filed its return. See Temporary Regulations section 310.6033-4T for more information.

For additional information on the electronic filing requirement, visit [www.irs.gov/efile](http://www.irs.gov/efile).

The IRS may waive the requirements to file electronically in cases of undue hardship. For information on filing a waiver, see Notice 2005-88, 2005-48 I.R.B. 1060.

## **F. Extension of Time to File**

Use Form 8868 to request an automatic 3-month extension of time to file. Use Form 8868 also to apply for an additional (not automatic) 3-month extension if the original 3 months was not enough time. To obtain this additional extension of time to file, the organization must show reasonable cause for the additional time requested. See the Instructions for Form 8868.

## **G. Amended Return/Final Return**

To change the organization's return for any year, file a new return including any required schedules. Use the revision of Form 990 applicable to the year being amended. The amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Check the *Amended Return* box in the heading of the return.

The organization may file an amended return at any time to change or add to the information reported on a previously filed return for the same period. It must make the amended return available for inspection for 3 years from the date of filing or 3 years from the date the original return was due, whichever is later.

The organization must also send a copy of the information or amended return to any state with which it filed a copy of Form 990 originally to meet that state's filing requirement.

Use Form 4506 to obtain a copy of a previously filed return. See [www.irs.gov](http://www.irs.gov) for information on getting blank tax forms.

If the return is a final return, see the *Specific Instructions* for Schedule N for further details.

## **H. Failure to File Penalties**

### **Against the Organization**

Under section 6652(c)(1)(A), a penalty of \$20 a day, not to exceed the smaller of \$10,000 or 5% of the gross receipts of the organization for the year, may be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause. Organizations with annual gross receipts exceeding \$1 million are subject to a penalty of \$100 for each day failure continues (with a maximum penalty with respect to any one return of \$50,000). The penalty begins on the due date for filing the Form 990.

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The penalty may also be charged if the organization files an incomplete return. To avoid having to supply missing information later, be sure to complete all applicable line items; answer “Yes,” “No,” or “N/A” (not applicable) to each question on the return; make an entry (including a zero when appropriate) on all total lines; and enter “None” or “N/A” if an entire part does not apply.

Also, this penalty may be imposed if the organization’s return contains incorrect information. For example, an organization that reports contributions net of related fundraising expenses may be subject to this penalty.

Use of a paid preparer does not relieve the organization of its responsibility to file a complete return.

### **Against Responsible Person(s)**

If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of \$10 a day. The maximum penalty on all persons for failures with respect to any one return shall not exceed \$5,000 (section 6652(c)(1)(B)(ii)).

There are also penalties (fines and imprisonment) for willfully not filing returns and for filing fraudulent returns and statements with the IRS (sections 7203, 7206, and 7207). States may impose additional penalties for failure to meet their separate filing requirements.

## **I. Public Interest Law Firms**

A public interest law firm exempt under section 501(c)(3) or (c)(4) must attach a statement that lists the cases in litigation, or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. Also attach a report of all the fees sought and recovered in each case. See Rev. Proc. 92-59, 1992-2 C.B. 411.

## **J. Requirements for a Properly Completed Form 990**

**Public Inspection.** In general, all information the organization reports on or with its Form 990 including attachments will be available for public inspection. Note, however, the public inspection rules for the Schedule B, a required schedule for organizations that file Form 990. Make sure the forms and schedules are clear enough to photocopy legibly.

**Signature.** To make the return complete, an officer of the organization authorized to sign It must sign in the space provided. For a corporation, or association, this officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate, or association officer, such as a tax officer. A receiver, trustee or assignee must sign any return he or she files for a corporation or association. For a trust, the authorized trustee(s) must sign.

*Generally, anyone who is paid to prepare the return must sign it in the Paid Preparer’s Use Only area.*

The paid preparer must:

- Sign the return in the space provided for the preparer’s signature.
- Enter the preparer’s social security number (SSN), preparer tax identification (PTIN), or employer identification number (EIN), only if the Form 990 is for a section 4947(a)(1) nonexempt charitable trust that is not filing Form 1041.
- Complete the required preparer information.

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- Give a copy of the return to the organization.

Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

**Recordkeeping.** The organization's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept for 3 years from the date the return is due or filed, whichever is later. Keep records that verify the organization's basis in property for as long as they are needed to figure the basis of the original or replacement property.

The organization should also keep copies of any returns it has filed. They help in preparing future returns and in making computations when filing an amended return.

**Rounding off to whole dollars.** The organization may round off cents to whole dollars on the returns and schedules. If the organization does round to whole dollars, it must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If the organization has to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

**Completing all lines.** Do not leave any applicable lines blank or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990.

**Assembling Form 990.**

Before filing the Form 990, assemble the package of forms and attachments in the following order:

Schedule	Title	Must be attached by:
A	Supplemental Information for 501(c)(3)s	All organizations exempt under section 501(c)(3)
B	Contributors	In general, any organization that received \$5,000 or more from any one contributor (in money or property) from any one contributor.  See Schedule B Instructions for special rules for section 501(c)(3) organizations that meet the 33 1/3 % public support test.  See Schedule B Instructions for special rules for section 501(c)(7),(8) or (10) organizations that receive more than \$1,000 for use <i>exclusively</i> for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to animals.
C	Lobbying & Political Activity	All organizations that answer "Yes" to Form 990, Part VIII, questions 1 or 2.
D	Supplemental Financial Information	All organizations that enter amounts on any of Form 990, Part VI, lines 11 through 16, and line 26  All organizations that answer "Yes" to any of Form 990, Part

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		VII, questions 2 through 5
E	Schools	All organizations that answer “Yes” to Form 990, Part VII, question 10 or that check box 2 on Schedule A, Part I
F	Statement of Activities outside the U.S.	All organizations that answer “Yes” to Form 990, Part VII, questions 1a, 1b or 1c
G	Supplemental Information Regarding Fundraising Activities	All organizations that enter more than \$10,000 on Form 990, Part IV, line 11a or Form 990, Part V, line 11e
H	Hospitals	All organizations that answer “Yes” to Form 990, Part VII, question 9
I	Grants	All organizations that enter an amount on Form 990, Part V, lines 1 or 2
J	Supplemental Compensation Information	All organizations that answer “Yes” to any of Form 990, Part II, Section B, questions 6 through 9.
K	Tax-exempt Bonds	All organizations that answer “Yes” to any of Form 990, Part VII, questions 6a through 6d
L	Loans	All organizations that enter amounts on any of Form 990, Part VI, lines 5, 6 or 23
M	Noncash Contributions	All organizations that enter more than \$5,000 on the noncash line on Form 990, Part IV, line 1g.
R	Related Organizations	All organizations that answer “Yes” to any of Form 990, Part VII, questions 7a or 7b
N	Liquidation, Termination, Dissolution or Significant Disposition of Assets	All organizations that check the Termination box on Form 990, Item B or check the box on Form 990, Part I, line 10.

## Completing the Heading of Form 990

All organizations must complete items A through M.

### Item A. Accounting Period

File the 20XX return for calendar year 20XX and fiscal years that begin in 20XX and end in 20XY. For a fiscal year return, fill in the tax year space at the top of page 1. See *General Instruction G* (from the 2006 instructions) for additional information about accounting periods and methods.

### Item B. Checkboxes

**Address change, name change, and initial return.** Check the appropriate box if the organization changed its address since it filed its previous return, or if this is the first time the organization is filing either a Form 990 or Form 990-EZ.

If the organization changed its name, attach the following documents:

IF the organization is	THEN attach
A corporation	Amendments to the articles of incorporation with proof of filing with the state of incorporation
A trust	Amendments to the trust agreements signed by the trustee.
An association	Amendments to the articles of association, constitution, bylaws, or other organizing document, with the signatures of at least two officers/members.

**Termination.** Check this box if the organization ceases to be a section 501(a) or section 527 organization. For example, an organization should check this box when it ceases operations and dissolves or has had its exemption revoked. An organization that checks this box must also attach Schedule N.

**Amended.** Check this box if the organization previously filed a return with the IRS for the same tax year and is filing another return for the same tax year to amend the previously filed return.

**Application pending.** Check this box if the organization filed either a Form 1023 or Form 1024 with the IRS and is awaiting a response. If this box is checked, the organization must still complete all parts of the Form 990 and any required schedules.

### Item C. Name and Address

If the organization operates under a name different from its legal name, enter the legal name and also identify its alternate name by writing "d/b/a" (doing business as) and the alternate name of the organization.

*Example:* ABC Corporation d/b/a XYZ Corporation

However, if the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address "C/O" followed by the third party's name and street address or P.O. Box.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

For foreign addresses, enter the information in the following order: city, province or state, and the name of the country. Follow the country's practice in placing the postal code in the address. Please do not abbreviate the country name.

If a change in address occurs after the return is filed, use Form 8822 to notify the IRS of the new address.

**Item D. Employer Identification Number**

The organization must have only one employer identification number (EIN). If it has more than one and has not been advised which to use, notify the:

Internal Revenue Service Center  
Ogden, UT 84201-0027

State what numbers the organization has, the name and address to which EIN was assigned, and the address of the organization's principal office. The IRS will advise the organization which number to use.

A section 501(c)(9) voluntary employees' beneficiary association must use its own EIN and not the EIN of its sponsor.

**Item E. Telephone Number**

Enter a telephone number of the organization that members of the public and government regulators may use during normal business hours to obtain information about the organization's finances and activities. If the organization does not have a telephone number, enter the telephone number of an organization official who can provide such information.

**Item F. Name and Address of Principal Officer**

The address provided must be a complete mailing address to enable the Internal Revenue Service to communicate with the officer if necessary.

**Item G. Website**

Enter the organization's website address. If the organization does not maintain a website, enter "N/A", (not applicable).

**Item H. Enter the amount of gross receipts.**

Add lines 9b (both columns), 10b (both columns), 11b, 12b, and 14 of Form 990, Part IV.

Gross receipts are the total amount received from all sources during the organization's annual accounting period, without subtracting any costs or expenses. See the gross receipts discussion in *General Instruction B*.

**Item I. Accounting Method.**

An organization must indicate the method of accounting used in preparing the return. See *General Instruction D* for more information.

**Item J. Books.**

Enter the name and address of the individual or entity that maintains the organization's books and records. If the address is the same as the organization's, enter "same" on the address line.

**Item M. State of Legal domicile**

Enter the state of formation or incorporation of the organization.

**Part I Summary**

Section 501(c)(3) and (c)(4) organizations as well as section 4947(a)(1) nonexempt charitable trusts must complete lines 1 through 26.

All other organizations must complete lines 1 through 16 and lines 20 through 26.

**Part II Compensation and Other Financial Arrangements with Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Independent Contractors**

## Section A.

**Reportable compensation.** Reportable compensation consists of:

- For officers and other employees --- amounts reported in Box 5 of Form W-2
- For directors and individual trustees --- amounts reported in Box 7 of Form 1099-MISC.
- For institutional trustees --- fees for services paid pursuant to a contractual agreement or statutory entitlement. While the compensation of institutional trustees must be reported in Form 990, Part II, it need not be itemized in Schedule J.

To determine whether an individual received more than \$100,000 in reportable compensation in the aggregate from the organization and related organizations, add the amounts reported in Box 5 of all Forms W-2 and, if applicable, Box 7 of all Forms 1099-MISC issued to the individual by the organization and all related organizations.

To determine whether an individual trustee or director received or accrued in the capacity as a trustee or director of the organization more than \$10,000 in reportable compensation, in the aggregate, from the organization and all related organizations, add the amounts reported in Box 7 of all Forms 1099-MISC issued to the individual by the organization and all related organizations.

Disregarded entities are treated as part of the organization rather than as a related organization for this purpose. Report an officer or director of a disregarded entity, including a single-member limited liability company, as a key employee or highest compensated employee, if the person has the responsibilities, powers or influence over a discrete segment or activity that represents a substantial portion of the activities, assets, income or expenses of the organization, as compared to the organization as a whole. If an officer or director of a disregarded entity also serves as an officer, director, trustee, or key employee of the organization, report this individual as an officer, director, trustee, or key employee, as applicable, of the organization.

**Column (A).** For each person required to be listed, enter the name in the top of each row and the city and state of residence in the bottom of each row. Do not list the organization's address.

**Column (B).** For each person listed in column (A), check all applicable boxes. Do not check the "Former" box if an individual served in any of the stated positions at any time during the organization's tax year.

Members of advisory boards are not considered directors or trustees. For trustees that are organizations (such as a financial institution), check the "institutional trustee" box.

Check the "Other" box if a listed individual is

- a highest compensated employee
- an officer or director of a disregarded entity.

Check the "Former" box only if the organization reported (or should have reported) an individual as an officer, director, trustee, key employee, or highest compensated employee on any of the organization's **prior five** Forms 990, 990-EZ or 990-PF.

**Column (C).** Check the box if the organization employed the individual full-time, under the organization's policies, as an officer or other employee during the calendar year ending with or within the organization's tax year.

**Columns (D) & (E).** Enter the amounts from Form W-2, box 5 or Form 1099-MISC, box 7 reportable to the individual for the calendar year ending with or within the organization's tax year. Enter -0- if the individual was not required to receive a Form W-2 or Form 1099-MISC for this period. For institutional trustees that did not receive a Form 1099-MISC, enter the amount that the organization would have reported in box 7 if a 1099-MISC had been required.



For purposes of column (E), the organization need not include amounts less than \$10,000 from a single related organization. For example, if an individual received compensation of \$6,000, \$15,000 and \$50,000 from three separate related organizations, the organization may report only \$65,000 in column (E) for that individual.

**Columns (F) & (G)** For each listed person, report the aggregate outstanding balance (including principal, accrued interest, and any penalties, fees, and costs) of all loans, advances and receivables (other than pledges receivable) that person owes to the organization (column F) or related organization (column G). Enter -0- if none. Loans do not include advances made under accountable expense reimbursement plans for payment of business expenses as described in Treas. Reg. 1.62-2(c)(1).

## **Section B.**

**Line 3. Process for Determining Compensation.** Answer "Yes" if the process for determining compensation of the CEO, executive director, Treasurer and CFO listed in Section A included all of the following elements<sup>3</sup>:

- A review and approval by a governing body or compensation committee, provided that persons with a conflict of interest with respect to the compensation arrangement at issue were not involved.
- Use of data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations.
- Contemporaneous documentation and recordkeeping with respect to the deliberations and decisions regarding the compensation arrangement.

**Line 4. Non-Qualified Deferred Compensation.** Answer "Yes" if any current officer or employee listed in Section A earned or accrued more than \$100,000 of non-qualified deferred compensation (other than non-qualified deferred compensation included in box 5 of Form W-2) during the calendar year ending with or within the organization's tax year.

## **Line 5. Family and Business Relationships and Transactions with Insiders**

Family relationships include an individual's spouse, ancestors, descendants, siblings (whether by whole or half blood), and the spouses of descendants and siblings.

Business relationships include the following:

- 1) One person was employed by the other in a sole proprietorship or by an organization with which the other was associated as a trustee, director, officer, key employee, or greater-than-35% owner.
- 2) One person was involved with the other in one or more contracts of sale, lease, license, loan, performance of services, or other business transactions involving transfers of cash or property valued in excess of \$5000 in the aggregate during the tax year. Also included are transactions with an organization with which the other person was associated as a trustee, director, officer, key employee, or greater-than-35% owner.
- 3) The two persons were common owners in a business or investment entity in which they, individually or together, possessed a greater-than-35% ownership interest and each held an interest greater than 2%.

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<sup>3</sup> These are described in section 53.4958-6(c).

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, or beneficial interest in a trust. Ownership includes indirect ownership (e.g., ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

If either line 5a or line 5b is answered “Yes,” then in Table 5f enter each family or business relationship on a separate line. On each line enter the names of the two listed persons with a relationship in columns (i) and (ii), and briefly describe in column (iii) either the family relationship (e.g., “brothers,” “grandmother/grandson”) or the business relationship (e.g., “employment,” “lease,” “co-owners of business”), as appropriate. Do not complete columns (iv)-(vi) for line 5a and 5b relationships.

**Line 5c.** Answer “No” and do not report on line 5f transactions involving transfers of cash or property valued at \$5000 or less in the aggregate during the organization’s tax year.

For example, a listed person will be treated as having a direct business relationship with the organization if he or she provides consulting services to the organization as an independent contractor, or rents property to the organization, and the value of the transaction exceeds \$5000.

A listed person will be treated as having an indirect business relationship with the organization if he or she owns (individually or collectively with another person listed in line 1) more than 35% of an entity that is providing services to the organization, and the value of the transaction exceeds \$5000.

**Line 5d.** Answer “No” and do not report on line 5f transactions involving transfers of cash or property valued at \$5000 or less in the aggregate during the organization’s tax year.

For example, a listed person will be treated as having an indirect business relationship with the organization through a family member if the listed person is a spouse of a person who provides consulting services to the organization, and the value of the transaction exceeds \$5000. Likewise, a listed person will be treated as having an indirect business relationship with the organization through a family member if a family member of the listed person owns (individually or collectively with other family member(s)) more than 35% of an entity that is providing services to the organization, and the value of the transaction exceeds \$5000.

**Line 5e.** Answer “No” and do not report on line 5f transactions involving transfers of cash or property valued at \$5000 or less in the aggregate during the organization’s tax year.

For example, you must answer “Yes” and complete Table 5f if a listed person is a partner (or shareholder) in a law firm that provides legal services to the organization and the law firm bills the organization for more than \$5000 in the aggregate during the organization’s tax year.

**CAUTION:** The information required in columns (iv)-(vi) of Table 5f concerns only the relationship between the organization and the entity that is doing business with the organization. Do not report in Table 5f compensation or other payments from such entity to the organization’s listed persons.

**Line 5f.** If the organization answers “Yes” to any of lines 5a through 5e, complete the table for line 5f as follows.

column (i)—the name of the listed person that had a direct or indirect business relationship with the organization

column (ii)—if the business relationship in issue is indirect, the name of the individual or entity that had the direct business relationship with the organization

column (iii)—a description of the relationship between the persons identified in columns (i) and (ii)

**TIP:** Do not complete columns (iv) through (vi) for relationships indicated on lines 5a and 5b

column (iv)--a description of the transaction (e.g., "consulting" or "rental of real property") between the organization and the person identified in column (i) (if the business relationship at issue is direct), or between the organization and the person identified in column (ii) (if the business relationship at issue is indirect)

column (v)--"Yes" or "No" depending on whether the person identified in column (i) (in the case of direct business relationships) or the person identified in column (ii) (in the case of indirect business relationships) is compensated in the transaction in whole or part based on the organization's revenues or net earnings

column (vi)--the dollar amount of the transaction (i.e., the cash and/or fair market value of other assets and services provided by (or to, if higher) the organization during the tax year, net of reimbursements or offsets).

If the same person had more than one direct or indirect business relationship with the organization, provide the information on each relationship on a separate line.

**TIP:** The organization is not required to provide information about the relationships identified for lines 5b through 5e if it is unable to secure the information after making a reasonable effort to obtain the information. An example of a reasonable effort would be for the Form 990 preparer, or an officer eligible to sign the Form 990, to distribute a questionnaire annually to each person listed in Part II, Section A. The questionnaire should require the name and title, date and signature of each person reporting this information.

**Line 8.** To determine whether any listed individual received or accrued more than \$250,000 of reportable or other compensation, add all reportable compensation included in columns (D) and (E) of Section A, all deferred compensation earned but not paid, nontaxable fringe benefits, and expense reimbursements or allowances (other than those under an accountable plan described in Treas. Reg. 1.62-2(c)(1)). Do not include qualified retirement plan amounts (contributions, accruals, earnings, or distributions) unless an amount is reported on Form W-2, Box 5 (e.g., 401(k) deferrals).

**Line 9.** Disregard payments from a deferred compensation trust or plan established, sponsored, or maintained by the organization or a related organization.

Example: A is the CEO of the organization. In addition to compensation paid by the organization to A, A receives payments from B, an unrelated corporation (using the definition of relatedness provided above), for services provided by A to the organization. The organization is aware of the arrangement between A and B, and does not treat the payments as paid by the organization for Form W-2 reporting purposes. The amounts paid by B to A require that the organization answer "yes" to line 9 and complete Schedule J with respect to A.

#### **Line 10a Five Highest Compensated Independent Contractors**

Complete this table for the five highest compensated independent contractors (other than professional fundraisers, which must be reported separately in Schedule G) that received more than \$100,000 in compensation or other payments for services.

**Column (C).** Enter the amount the organization paid, whether reported on Form 1099-MISC, Box 7 or paid pursuant to the parties' agreement or applicable state law, for the calendar year ending with or within the organization's tax year.

### **Part III Statements Regarding Governance, Management and Financial Reporting.**

All organizations must answer each question in section III even though certain policies and procedures may not be required under the Internal Revenue Code. See the *Glossary* for definitions of certain terms.

**Line 2.** The organization must report only significant changes to its documents. For example, do not report changes in the registered address or changes that do **not** significantly affect the organization's mission or governance or the organization's control, use or distribution of assets.

The organization must report any change:

- in the number, composition or duties of the governing body;
- in the number, composition or duties of the officers;
- in the distribution of assets upon dissolution;
- to the policies regarding compensation of officers, directors, trustees, or key employees;
- to the policies regarding conflict of interest, whistleblower, or document retention and destruction;
- or,
- to the composition or procedures of the audit committee.
- 

**Lines 3, 4, 5.** Answer "Yes" if the organization implemented these policies on or before the last day of the organization's tax year.

**TIP:** Sarbanes-Oxley requires certain tax-exempt organizations to adopt whistleblower protection and document retention and destruction policies.

**Line 6. Minutes of Governing Board Meetings.** Answer "Yes" to line 6 if the organization contemporaneously documented in writing every meeting of its governing body during the taxable year, such as by recorded and approved minutes or similar written documentation. For this purpose, contemporaneous means before the later of the next meeting of the governing body or 60 days after the final action or actions of the governing body are taken.

**Line 9. Audit Committee.** Answer "Yes" if the organization had an audit committee on the last day of the taxable year.

**TIP:** Organizations should check with applicable state law or regulators to determine whether they are required to have an audit committee.

#### **Line 11. Public Availability of Organizational Documents, Policies, Financial Statements, and Returns**

Check the appropriate boxes to indicate whether the organization makes its organizational documents, policies, financial statements or annual returns available to the general public by:

- Posting them on a public website maintained by the organization
- Posting them on another publicly-available website
- Providing physical copies at an office of the organization
- Other means (please specify)

If the organization does not make documents available as listed, check "N/A" (not applicable).

### **Part IV Statement of Revenue**

All organizations must complete Column (A), *Total Revenue*, reporting their gross receipts for all sources of revenue. All organizations (except section 527 political organizations) must complete Columns (B) through (E). Refer to specific instructions below for completing each column.

#### **Column (B) – Related or Exempt Function Revenue**

In Column (B) report all revenue from activities substantially related to the organization's exempt purpose. Also report here any revenue that is excludable from gross income other than by section 512, 513, or 514, such as interest on state and local bonds that is excluded from tax by section 103.

### **Column (C) – Unrelated Business Revenue**

In column (C), report any unrelated business revenue received by the organization during the tax year from an unrelated trade or business.

**TIP:** If the organization enters an amount column (A) for lines 2 and 13 it must also enter a business code for each line from the *Codes for Unrelated Business Activity* in the 2006 Instructions for Form 990-T.<sup>4</sup>

### **Column (D) –Unrelated Business Revenue Excluded From Tax (under IRC 512, 513, or 514)**

In column (D), report any revenue excludable from unrelated business income by Code sections 512, 513, or 514.

### **Line 1. – Contributions, Gifts, Grants and Other Similar Amounts**

On lines 1a through 1g enter amounts received as voluntary contributions, gifts, grants or other similar amounts from the general public, governmental units, foundations, and other exempt organizations. The general public includes individuals, corporations, trusts, and estates.

Contributions may result from fundraising activities such as dinners, door-to-door sales of merchandise, carnivals, and gaming if a person at such an event pays more for goods or services than their retail value. In such cases, the excess is treated as a contribution (and the retail value is reported on the line 11a, below). Similarly, if an organization offers goods or services of only nominal value through a fundraising event or distributes free, unordered, low-cost items, the entire amount received for such benefits is treated as a contribution.

Contributions do not include:

- grants, fees or other support from governmental units, foundations or other exempt organizations that represent a payment for a service, facility, or product that primarily gives some economic or physical benefit to the payer.
- the portion of any fundraising solicitation representing payment for goods, services, or anything else at retail value.
- donations of services, e.g. free use of materials, equipment, or facilities.
- unreimbursed expenses of officers, employees, or volunteers. (*See the explanations of charitable contributions and employee business expenses in Pub. 526 and Pub. 463, respectively.*)
- payments received from employers for welfare benefits under plans described in sections 501(c)(9) and (17).

**Note:** An organization may report amounts in accordance with Statement of Financial Accounting Standards (SFAS) 116, but is not required to do so. Non-cash contributions not reported in accordance with SFAS 116 are to be reported at their fair market value.

### **Line 1a. Federated Campaigns**

Enter on Line 1a the total amount of contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as a United Way organization). These organizations normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state, and allocate part of the net proceeds to each participating organization on the basis of the donors' individual designations and other factors.

### **Line 1b. Contributions from Outside Fundraisers or Commercial Co-Ventures**

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<sup>4</sup>We expect to expand the list of business codes and welcome suggestions for new categories.

Enter the total amount of contributions raised by outside fundraisers in the organization's name. Include in this amount any contributions raised through commercial co-ventures, in which the organization allows a corporation or other commercial entity to use the organization's name in a sales promotion campaign (sometimes referred to as cause-related marketing). In the campaign, the commercial entity advertises that it will contribute a certain dollar amount to the organization for each unit of a particular product or service sold or for each occurrence of a specific type during a designated time period. Do not include any amounts received from federated fundraising agencies, which are reported on line 1a.

#### **Line 1c. Fundraising Events**

Enter the total amount of contributions received from fundraising events, which includes—but is not limited to—gaming events, dinners, auctions, and other events conducted for the sole or primary purpose of raising funds for the organization's exempt activities

Example: At its annual fundraising dinner, an organization receives \$1,000 in revenue for goods valued at \$400. The organization must report the \$400 as gross income from fundraising on Line 11a, and a \$600 contribution—representing the difference between the value of the goods and the amount received—on Line 1c and within the parenthesis on line 11a.

#### **Line 1d. Related Organizations**

Enter the total amount of contributions received from related organizations, such as a parent organization or affiliates at the local, state, or regional level.

Include on Line 1d only those contributions made to enable the organization to provide a service to the general public or maintain a facility for the direct benefit of the public. Do not report as contributions on this line any payments for a service, facility, or product that primarily gives some economic or physical benefit to the payer.

#### **Line 1e. Government Grants**

Enter the total amount of contributions in the form of grants or similar payments from local, state, or federal government sources, as well as foreign governments. Include grant amounts from U.S. possessions (American Samoa, Guam, Puerto Rico, and the U.S. Virgin Islands).

A grant or other payment from a governmental unit is reported here if its primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit. In other words, the payment is recorded on line 1e if the general public gets the primary and direct benefit from the payment and any benefit to the governmental unit is indirect and insubstantial as compared to the public benefit.

The following are examples of governmental grants and other payments that are treated as contributions and reported on line 1e:

- Payments by a governmental unit for the construction or maintenance of library or museum facilities open to the public.
- Payments by a governmental unit to nursing homes to provide health care to their residents.
- Payments by a governmental unit to child placement or child guidance organizations under government programs to better serve children in the community.

#### **Line 1f. All Other Contributions, Gifts, and Similar Amounts**

The organization must enter on line 1f all other contributions, gifts and similar amounts it received from sources not reported separately on lines 1(a) through 1(e). This amount includes contributions from donor-advised funds, in which the donor or the donor's advisor had the right to make recommendations regarding the charitable use of the funds.

In addition, this amount may include a portion of the organization's revenue from membership dues and assessments, to the extent such payments exceed the value of the benefits provided to the members, or

are paid to support the organization's activities rather than to obtain membership benefits. See line 3 instructions below.

**Line 1g. Noncash Contributions**

Enter on Line 1g the amount of noncash contributions included in lines 1a through 1f. If this amount exceeds \$5,000 the organization must complete and attach Schedule M, *Non-Cash Contributions*.

**TIP:** The organization may also need to attach Schedule B, *Schedule of Contributors*. See the instructions for Schedule B for more information.

**Line 2. – Program Service Revenue** (need to insert instructions from page 24 of 2006 instructions). All line 2 amounts are to be reported in Column (A).

**Line 2a. - Medicare/Medicaid Payments**

Enter all revenues received for medical services, including Medicare and Medicaid payments, and report the total in Column (A).

**Line 2b. – Fees and Contracts from Government Agencies**

Enter revenues received in the form of fees and contract payments paid by governmental units for a service, facility, or product that primarily benefited the governmental units and enter the total in Column (A). Do not include on line 2b amounts received from governmental units that are contributions.

Example: A payment by a governmental agency to a medical clinic to provide vaccinations to the general public is a contribution reported on line 1e. A payment by a governmental agency to a medical clinic to provide vaccinations to employees of the agency is program service revenue reported on line 2b.

Example: A payment by a governmental agency to an organization to provide job training and placement for disabled individuals is a contribution reported on line 1e. A payment by a governmental agency to the same organization to operate the agency's internal mail delivery system is program service revenue reported on line 2b.

**Line 2c. Income from Program Related Investments**

Report interest, dividends, and other revenues from its program-related investments reportable on Part VI, line 14. Program-related investments are those investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the reporting organization's exempt function.

**Lines 2d-2g. Other Program Service Revenue**

Report and list other types of program service revenue on lines 2d through 2g.

**Caution:** For each amount entered in lines 2a through 2g, the organization must also enter a corresponding business code from *Codes for Unrelated Business Activity* from the 2006 Instructions for Form 990-T.

**Line 3. Membership Dues and Assessments**

Report dues and assessments received that compare reasonably with the membership benefits provided by the organization. Organizations described in sections 501(c)(5), (6) or (7) generally provide benefits that have a reasonable relationship with dues.

Examples of membership benefits include:

- subscription to publications
- newsletters (other than one about the organization's activities only)
- free or reduced-rate admissions to events sponsored by the organization
- use of the organization's facilities

- discounts on articles or services that members and nonmembers can buy

**TIP:** Report on line 1f the amount of dues that exceed the monetary value of membership benefits provided to the dues payor. See. Rev. Rul. 54-565, 1954-2 C.B. 95 and Rev. Rul. 68-432, 1968-2 C.B. 104.

**TIP:** Report on line 1f dues paid by member mainly to support the organization's activities and not to obtain benefits of more than nominal monetary value.

**TIP:** Do not include intangible benefits in figuring the value of membership benefits. Intangible benefits include the right to attend meetings, vote or hold office in the organization, and the distinction being a member of the organization.

#### **Line 4. Interest on Savings and Temporary Cash Investments.**

Enter the amount of interest income from savings and temporary cash investments reportable on line Part VI, Line 2. So-called dividends or earnings received from mutual savings banks, money market funds, etc. are actually interest and should be entered on Line 4.

#### **Line 5. Dividends and Interest from Securities.**

Enter the amount of dividend and interest income from equity and debt securities (stocks and bonds) of the type reportable on Part VI, lines 10 and 11. Also include amounts received from payments on securities loans, as defined in section 512(a)(5), as well as interest from notes and loans receivable reportable on Part VI lines 5 through 7.

#### **Line 6. Income from Investment of Tax-Exempt Bond Proceeds.**

Report on line 6 all investment income from unspent bond proceeds, reserves, escrows, and similar amounts.

#### **Line 7 – Royalties**

Report on Line 7 royalties received by the organization from licensing or similar arrangements involving patents, trademarks, and other intellectual property.

#### **Line 8. -- Other Investment Income**

Report the gross amount of all investment revenue not reportable on lines 4 through 7. Do not include unrealized gains and losses on investments carried at market value.

#### **Line 9a. Gross Rents**

Report on Line 9a all rental revenue from any source. Allocate revenue to real property and personal property in the spaces provided.

Rental revenue can be from an activity that is related or unrelated to the organization's exempt purpose. In general, rents from real property are excluded in computing unrelated business income while rental income from personal property is included. There are special rules when rents are received from personal property leased with real property (a mixed lease). In general, rental revenue from real property is excluded from unrelated business revenue when:

- the determination of the amount of such rents is not based on income or net profits derived by any person from the property leased other than an amount based on a fixed percentage of the gross receipts or sales.
- the lease does not include personal services other than customary ones such as trash removal and cleaning of public areas.
- any portion attributable to personal property is 10% or less of the total rent.
- the real property is not debt-financed within the meaning of sections 512, 513 or 514. (Rent from debt-financed real property is generally includible in unrelated business income, but there may be exceptions based on use of the property. See Publication 598.)



Rent received from leased personal property is generally taxable except when leased with real property, and the rent attributable to the personal property does not exceed 10% of the total rents from all leased property.

**Line 9b. – Less: Rental Expenses**

Enter on Line 9b the expenses paid or incurred by the organization to earn the rental revenue reported on Line 9a. Include interest related to rental property and depreciation.

**Lines 9c – Net Income or (Loss)**

Subtract line 9b from line 9a for both columns (i) and (ii)

**Line 9d. Net Rental Income or (Loss)**

Add line 9c, column (i) and line 9c, column (ii) and enter in Column (A). Show a loss in parentheses.

**Line 10a – Gross Amount from Sales of Assets Other Than Inventory**

On line 10a, report the total gross sales prices of all securities and other assets sold during the tax year, except sales of inventory reported on Line 12. Enter separate totals for securities and other assets, respectively, in the spaces provided.

The organization may generally use the average cost basis to figure its gain or loss. However, if reporting sales of securities on Form 990-T, it generally cannot use this method.

**Securities Column** - Report all sales of stocks and bonds in the Securities column. Do not include any unrealized gains or losses on securities carried at market value in the organization's books of account.

**Other Assets Column** - Report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) in the Other column. In addition, report the sale of non-inventory assets and fixed assets used by the organization.

The organization should maintain books and records to substantiate information regarding any securities or other assets sold for which market quotations were not published or were not otherwise readily available, including

- a description of the asset
- date acquired
- whether acquired by donation or purchase
- cost or other basis
- expense of sale
- depreciation

**Line 10b. — Less: Cost or Other Basis and Sales Expenses**

Report on Line 10b the total cost or other basis (less depreciation) and selling expenses of the securities and other assets sold, respectively.

**Line 10c. – Gain or (Loss)**

Report on Line 10c the net gain or loss from the sale of securities and other assets by subtracting Line 10b from 10a.

**Line 10d. - Net Gain or (Loss) from Investments**

Combine the gain and/or loss figures from the securities and other asset sales columns computed on line 10c and report that total on line 10d. Report the net gain or loss in the appropriate column(s) (A) through (E).

**Line 11a. – Gross Income from Fundraising Events.**

Organizations that receive gross revenue in excess of \$10,000 from gaming and other fundraising events and activities must complete Schedule G, *Supplemental Information Regarding Fundraising Activities*.

Compute the organization's gross income from fees, ticket sales or other revenue from gaming and other fundraising events. These are events and activities conducted for the sole or primary purpose of raising funds to finance the organization's exempt activities. Funds raised from non-exempt activities must be reported on line 13.

<b>Gaming is a fundraising activity. Types of gaming include, but are not limited to:</b>	
<ul style="list-style-type: none"> <li>▪ bingo</li> <li>▪ pull tabs</li> <li>▪ instant bingo</li> <li>▪ raffles</li> <li>▪ scratch-offs</li> <li>▪ charitable gaming tickets</li> <li>▪ break-opens</li> <li>▪ hard cards</li> <li>▪ banded tickets</li> <li>▪ jar tickets</li> <li>▪ pickle cards</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nevada Club tickets</li> <li>▪ casino nights</li> <li>▪ Las Vegas nights</li> <li>▪ coin-operated gambling devices including: <ul style="list-style-type: none"> <li>▪ slot machines</li> <li>▪ electronic video slot or line games</li> <li>▪ video poker</li> <li>▪ video blackjack</li> <li>▪ video keno</li> <li>▪ video bingo</li> <li>▪ video pull tab games</li> </ul> </li> </ul>
<b>Other fundraising activities include:</b> <ul style="list-style-type: none"> <li>▪ dinners/dances</li> <li>▪ door-to-door sales of merchandise</li> <li>▪ concerts</li> <li>▪ carnivals</li> <li>▪ sports events</li> <li>▪ auctions</li> </ul>	<b>Fundraising does not include:</b> <ul style="list-style-type: none"> <li>• sales or gifts of goods or services of only nominal value</li> <li>• sweepstakes, lotteries or raffles where the names of contributors or other respondents are entered in a drawing for prizes</li> <li>• raffles or lotteries where prizes have only nominal value</li> <li>• solicitation campaigns that generate only contributions</li> </ul> <p>Proceeds from these activities are considered contributions and should be reported on Line 1c.</p>

Fundraising events sometimes generate both contributions and income, such as when an individual pays more than the retail value for the goods or services furnished. Report in parenthesis the total amount from fundraising events that represents contributions rather than payment for goods or services. Treat as contributions the following:

⇒ Amounts paid in excess of retail value of goods or service furnished.

**Example:** At its annual fundraising dinner, an organization received \$1000 in gross receipts for goods valued at \$400. The organization must report the \$400 as gaming revenue on line 11a and \$600 as a contribution on Line 1c and within the parenthesis on Line 11a. The contribution of \$600 was the difference between the value of the goods (\$400) and the amount paid for the goods (\$1000).

⇒ Amounts from fundraising events when items of only nominal value are given or offered.

**Example:** At its annual fundraising dinner, an organization offers souvenir coffee mugs to attendees. The organization must report the entire amount received for the dinner as a contribution on line 1c and within the parenthesis on line 9a.

⇒ Amounts from activities generating only contributions such as a mail solicitation campaign.

### **Line 11b Less Direct Expenses**

Combine the organization's direct expenses for conducting gaming or other fundraising events and activities, and report this amount on Schedule G, "Supplemental Information Regarding Fundraising Activities." The organization should exclude from this computation professional fees reported in Schedule G, Part IV.

Direct expenses of gaming include:

- cash prizes
- noncash prizes
- compensation to bingo callers and workers
- rental of gaming equipment
- cost of bingo supplies such as pull tabs, etc.

### **Line 11c. Net Income from Fundraising Events**

Report on line 11c the difference between 11a and 11b. The organization must report net income from fundraising events as unrelated business revenue (column (C)) or as revenue excluded from tax under sections 512, 513, or 514 (column (D))

**TIP:** Many games of chance are taxable. Income from bingo games is not subject to tax if the games meet the legal definition of bingo. For a game to meet the legal definition of bingo, wagers must be placed, winners must be determined, and prizes or other property must be distributed in the presence of all persons placing wagers in that game.

A wagering game that does not meet the legal definition of bingo does not qualify for the exclusion, regardless of its name. For example, "instant bingo," in which a player buys a pre-packaged bingo card with pull-tabs that the player removes to determine if he or she is a winner, does not qualify. See Publication 598, *Tax on Unrelated Business Income of Exempt Organizations*.

### **Line 12a. Gross Sales of Inventory, Less Returns and Allowances**

Report the organization's gross income from sales of inventory items, less returns and allowances. The organization must report the sales revenue regardless of whether the sales activity is an exempt function of the organization or an unrelated trade or business. Sales of inventory items reportable on line 12a are sales of those items the organization makes to sell to others or buys for resale. Sales of inventory do not, however, include the sale of goods related to a fundraising event, which must be reported on Line 11.

### **Line 12b. Less Cost of Goods Sold**

Report the costs related to the sales of inventory. These costs typically include direct and indirect labor, materials and supplies, shipping, and an allocable portion of overhead expenses.

Marketing and distribution costs are not included in the cost of goods sold but are reported in Column (B), *Program Services*, of Part V, Statement of Functional Expenses.

### **Line 12c. Net Income or (Loss) from Sales of Inventory**

Report in the appropriate Columns (A) through (E), the net income or (loss) from the sale of inventory items.

### **Line 13. Other Revenue**

Report and list all other types of revenue not reportable on lines 1 through 12. List the top three sources on lines 13a through c and "all other" on line 13d.

**Caution:** For each amount entered in lines 13a, b and c, the organization must also enter a corresponding business code from *Codes for Unrelated Business Activity* from the 2006 Instructions for Form 990-T.

**Line 14. Total Revenue**

For columns (A) through (D), add lines 1g, 2h, 3-8, 9d, 10d, 11c, 12c, and 13e .

**Part V-- Statement of Functional Expenses****In General –**

Use the organization's normal accounting method reported on page 1, Item I to complete this section. If the organization's accounting system does not allocate expenses, the organization may use any reasonable method of allocation. The organization must report amounts accurately and document the method of allocation in its records. Do not report in Part V expenses that must be reported on lines 9b, 10b, 11b or 12b of Part IV Statement of Revenue

**Caution:** State reporting requirements may be different from IRS reporting requirements applicable to Part V.

Section 501(c)(3) and (c)(4) organizations as well as section 4947(a)(1) nonexempt charitable trusts must complete columns (A) through (D).

All other organizations must complete column (A) but may complete columns (B), (C), and (D).

**Column (B)—Program Service Expenses**

*Program services* are mainly those activities that further the organization's exempt purposes. Fundraising expenses should not be reported as program-service expenses even though one of the organization's purposes is to solicit contributions.

Include lobbying expenses in this column if the lobbying is directly related to the organization's exempt purposes.

For example, Foundation M, an organization exempt under section 501(c)(3), has as its exempt purpose improving health care for senior citizens. Foundation M operates in state N. The legislature of state N is considering legislation to improve funding of health care for senior citizens. Foundation M lobbies state legislators in support of the legislation. Since this lobbying is directly related to Foundation M's exempt purpose, it would be considered an exempt function expense, and would be included under Column (B).

Also, include in this column expenses for unrelated trade or business activities. For example, publishing a magazine is a program service even though the magazine contains both editorials and articles that further the organization's exempt purpose as well as advertising, the income from which is taxable as unrelated business income.

Also include costs to secure a grant to conduct research, produce an item, or perform a service, whether to meet the grantor's specific needs or to benefit the public directly. Do not report these costs as fundraising expenses in Column (D), even if the organization reports the grant on Part IV, line 1 as a contribution.

**Column (C) — Management and General Expenses**

Use Column (C) to report expenses that relate to the organization's overall operations and management, rather than to fundraising activities or program services. Overall management usually includes the salaries and expenses of the organization's chief executive officer and his or her staff, unless a part of their time is spent directly supervising program services or fundraising activities. In that case, their salaries and expenses should be allocated among management, fundraising, and program services.

Expenses incurred to manage investments must be reported in Column (C), *Management and general expenses*. Lobbying expenses should be reported in this column if they do not directly relate to the organization's exempt purposes.

Organizations must also report the following in Column (C): costs of board of directors meetings; committee and staff meetings (unless they involve specific program services or fundraising activities); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, human resources, and other centralized services; preparation, publication, and distribution of an annual report; and management of investments.

However, report expenses related to the production of program-related income in Column (B) and expenses related to the production of rental income on Line 9b of Part IV, Statement of Revenue. Rental expenses incurred for the organization's office space or facilities are reported on Line 16 of the Statement of Functional Expenses.

Do not use this column to report costs of special meetings or other activities that relate to fundraising or specific program services.

### **Column (D) — Fundraising Expenses**

*Fundraising expenses* are the expenses incurred in soliciting contributions, gifts, and grants. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns; (b) soliciting bequests and grants from foundations or other organizations, or government grants reportable on Line 1 of Part IV, Statement of Revenue. This includes participating in federated fundraising campaigns; preparing and distributing fundraising manuals, instructions, and other materials; and conducting fundraising events that generate contributions reportable on Line 1c, of the Revenue Statement or revenue reportable on Line 11c of the Revenue Statement.

*Example:* For an employee who works on fundraising 40 percent of the time and program management 60 percent of the time, an organization must allocate that employee's salary 40 percent to fundraising and 60 percent to program service expenses. It may not report the 100 percent of salary as program expenses, simply because the employee spent over 50 percent of his time on program management.

**TIP:** Expenses attributable to providing information regarding the organization itself, its use of past contributions, or its planned use of contributions received are fundraising expenses and must be reported in Column (D). Do not report such expenses as program service expenses in Column (B).

### **Combined Educational Campaign and Fundraising Solicitations**

A section 501(c)(3) or (c)(4) organization that conducts a combined educational campaign and fundraising solicitation must allocate expenses of such an activity between Program Service Expenses in Column (B) and Fundraising Expenses in Column (D).

*Example:* An organization conducts a combined educational campaign and fundraising solicitation when it solicits contributions (by mail, telephone, broadcast media, or any other means) and includes, with the solicitation, educational material or other information that furthers a bona fide nonfundraising exempt purpose of the organization.

Any method of allocating joint costs between columns (B) and (D) must be reasonable under the facts and circumstances of each case. Most states with reporting requirements for charitable organizations and other organizations that solicit contributions either require or allow reporting of joint costs under AICPA Statement of Position 98-2 (SOP 98-2). See *Glossary*.

### **Allocating Indirect Expenses**

Direct costs are expenses that can be identified specifically with an organization's activity or project, and can be assigned to an activity or project with a high degree of accuracy. Indirect costs are costs that cannot be identified specifically with an activity or project, such as office supplies, postage, or printing and copying. Indirect costs do not have a direct benefit to the project or activity being performed. For example, a computer bought by a university specifically for a research project is a direct cost. In contrast, the costs of software licensing for programs that run on all the university's computers are indirect costs.

Colleges, universities, hospitals, and other organizations that incur indirect expenses in various cost centers (such as organizational memberships, books and subscriptions, and regular telecommunications costs) may allocate and report such expenses in the following manner:

1. Report the expenses of all indirect cost centers in column (C) of lines 5 through 23.
2. As a separate line item of line 23, enter "Allocation of [name of indirect cost center] expenses".
  - a. If any of the cost center's expenses are allocated to expenses listed in Part IV such as the expenses attributable to fundraising events and activities, enter such expenses as a negative figure in columns (A) and (C).
  - b. Allocate expenses to column (B) or (D) as positive amounts.
  - c. Add the amounts in columns (B) and (D) and enter the sum as a negative offsetting amount in column (C). Do not make any entries in Column (A) for these offsetting entries.

**Example.** An organization reports in column (C) \$50,000 of its actual management and general expenses and \$100,000 of expenses of an indirect cost center that are allocable in part to other functions. The total of lines 5 through 23 of column (C) would be \$150,000 before the indirect cost center allocations were made. Assume that \$10,000 (of the \$100,000 total expenses of the cost center) was allocable to fundraising; \$70,000 to various program services; \$15,000 to management and general functions; and \$5,000 to special events and activities. To report this in Part V under this optional method:

1. Indicate the cost center, the expenses of which are being allocated, on line 23, as Allocation of [specify the indirect cost center] expenses;
2. Enter a decrease of \$5,000 on the same line in the column (A), *Total*, representing the fundraising event expenses that were already reported on line 11b in Part IV;
3. Enter \$70,000 on the same line in column (B), *Program services*;
4. Enter \$10,000 on the same line in column (D), *Fundraising*; and
5. Enter a decrease of \$85,000 on the same line in column (C), *Management and general*, to represent the allocations to functional areas other than management and general.

Line	(A)	(B)	(C)	(D)
5 – 23a	\$150,000	-	\$150,000	-
23b Allocation of \$100,000 indirect cost center expenses reported in (C)	(5,000)	70,000	(85,000)	10,000
24	\$145,000	\$70,000	\$65,000	\$10,000

After making these allocations, the column (C) total (line 24, column (C)) would be \$65,000, consisting of the \$50,000 actual management and general expense amount and the \$15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a one-step allocation that shows how to report the allocation in Part V. This reporting method would actually be more useful to avoid multiple step allocations involving two or more cost centers. Without this optional reporting method, the total expenses of the first cost center would be allocated to the other functions, and might include an allocation of part of these expenses to another cost center. The expenses of the second cost center would then be allocated to other functions and, perhaps, to other cost centers, and so on. The greater the number of these cost centers that are allocated out, the more difficult it is to preserve the object classification identity of the expenses of each cost center (for example, salaries, interest, supplies, etc.). Using the reporting method described above avoids this problem.

**Caution:** The intent of the above instructions is only to facilitate reporting indirect expenses by both object classification and function. These instructions do not authorize the allocation to other functions of expenses that should be reported as management and general expenses.

**Grants and Allocations to Governments and Organizations outside the U.S.; Grants and Allocations to Organizations in the U.S.; Grants and other assistance to Individuals in the U.S.**

Organizations should report the amount of grants, awards and other assistance on lines 1 through 3 (see instructions below). "Grants" include allocations, stipends, scholarships and other types of similar payments made to organizations or individuals for an exempt purpose. Report expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award on lines 5 through 23.

**Note:** Organizations may report this information in accordance with Statement of Financial Accounting Standards (SFAS 116) but are not required to do so. For example, an organization that follows SFAS 116 and makes a grant during the tax year to be paid in future years should report the grant's present value on this year's Form 990 and report accruals of additional value increments in future years.

**Specific Instructions -**

**Line 1. Grants to Governments and Organizations in the U.S.**

Enter the amount that the organization, at its own discretion, paid in grants to governmental units and other organizations in the United States. United Way and similar federated fundraising organizations should report grants to member or participating agencies on line 1. Organizations must report voluntary grants to state or local affiliates for specific (restricted) purposes or projects on line 1.

If the total of lines 1 and 2 exceeds \$5,000, the organization must complete Parts II and III of Schedule I, Supplemental Information on Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.

**Line 2. Grants and Other Assistance to Individuals in the U.S.**

Enter the amount paid by the organization to individuals in the United States in the form of scholarships, fellowships, stipends, and research grants.

Also include grants or other assistance paid to third party providers for the benefit of specified individuals. For example, a grant payment to a hospital to cover the medical expenses of a particular patient must be reported on line 2. By comparison, a grant to the same hospital to provide services to the general public or to unspecified charity patients must be reported on line 1.

If the total of lines 1 and 2 exceeds \$5,000, the organization must complete Parts II and III of Schedule I.

**Line 3. Grants and Other Assistance to Governments, Organizations, and Individuals Outside the U.S.**

The organization must enter the total amount of grants and other forms of assistance made to governments, organizations, and individuals outside the United States.

Foreign grants to organizations include grants to partnerships, corporations, and other business entities that are not organized in the United States or under the law of the United States or any state, to foreign estates, and to foreign trusts. A foreign grant also includes: (1) a grant to a foreign branch office of a domestic organization; (2) a grant to a domestic organization if more than one-half of its activities are conducted in foreign countries or for the benefit of persons in foreign countries; and (3) a grant made primarily for the purpose of benefiting persons in foreign countries. Foreign grants to organizations do not include grants to U.S. government agencies.

Foreign grants or specific assistance to individuals include grants or assistance to persons who are not citizens or residents of the United States. It also includes grants or assistance to United States citizens residing in foreign countries, and grants for the primary purpose of study or research in foreign countries.

**Line 4. Benefits Paid to or for Members**

Enter the payments made by the organization to provide benefits to members (such as payments made by an organization exempt under sections 501(c)(8), (9), or (17) to obtain insurance benefits for members). Do not report on this line the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its officers and employees. Report those expenses on lines 8 and 9.

**Line 5. Compensation of Current Officers, Directors, and Key Employees**

**TIP:** Compensation for Part V is to be reported based on the accounting method used by the organization, rather than the definitions used to complete Part II or Schedule J regarding compensation of certain officers, directors, trustees and other employees.

Enter the total compensation paid to, or accrued for, current officers, directors, trustees, and key employees for the tax year. Compensation includes all forms of income and other benefits earned or received in return for services rendered but does not include non-compensatory expense reimbursements or allowances. Report all compensation amounts relating to such an individual, including those related to services performed in a capacity other than as an officer, director, trustee, or key employee.

*Examples:*

(1) Key employee A spent 90% of her time administering a program that constitutes the basis of the organization's exempt purpose and 10% of her time in the general management of the organization itself. Allocate 90% of key employee A's compensation to column (B), program services, and 10% to column (C), management and general.

(2) Director B is not paid as a member of the board, but is employed and compensated by the organization as a part-time fundraiser. Allocate 100% of Director B's compensation to column (D), fundraising.

(3) Key Employee C receives \$100,000 of salaries and wages. In addition, the organization paid \$25,000 of fringe benefits, \$10,000 of travel reimbursements, and \$7,500 of pension plan contributions relating to C. The organization reports \$132,500 as compensation on line 5 and reports the \$10,000 of expense reimbursements on line 17.

**Line 6. Compensation, Not Included Above, to Disqualified Persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)**

Section 501(c)(3) and 501(c)(4) organizations must report the total compensation and other distributions provided to disqualified persons and persons described under section 4958(c)(3)(B) not included in line 5.

Compensation includes all forms of income and other benefits earned or received in return for services rendered but does not include non-compensatory expense reimbursements or allowances.

**Line 7. Other Salaries and Wages**

Enter the total amount of employee salaries, wages, fees, bonuses, severance payments, and similar amounts not reported on lines 5 or 6.

**Line 8. Pension Plan Contributions**

Enter the organization's share of contributions made as an employer to qualified and nonqualified pension plans during the tax year for the benefit of employees. The organization should include contributions made to 401(k) and 403(b) pension plans on behalf of employees. However, it should not include contributions to qualified pension, profit-sharing, and stock bonus plans under section 401(a) solely for the benefit of current or former officers, directors, trustees, or key employees that are reportable in lines 5 or 6.



**TIP:** Complete Form 5500, “Annual Return/Report of Employee Benefit Plan,” for the organization’s plan and file it as a separate return. If the organization has more than one pension plan, complete a Form 5500 for each plan. File the form by the last day of the 7th month after the plan year ends.

#### **Line 9. Other Employee Benefits**

Enter the organization’s contributions to employee benefit programs (such as insurance, health, and welfare programs that are not an incidental part of a pension plan included on line 8), and the cost of other employee benefits.

For example, report expenses for employee events such as a picnic or holiday party on line 9. Do not include contributions on behalf of current or former officers, directors, trustees, key employees or other persons that were included in lines 5 or 6.

#### **Line 10. Payroll Taxes**

Enter the amount of federal, state, and local payroll taxes for the year that are imposed on the organization **as an employer**. This includes the employer’s share of Social Security and Medicare taxes, the federal unemployment tax (FUTA), state unemployment compensation taxes, and other state and local payroll taxes. Do not include on line 10 taxes withheld from employees’ salaries and paid to the federal, state, or local governments such as federal, state, and local income taxes and the employees’ shares of Social Security and Medicare taxes. Such withheld amounts are reported as compensation.

#### **Line 11. Fees for Services Paid to Non-Employees (Independent Contractors)**

Enter on lines 11a through 11g amounts for services provided by independent contractors for management, legal, accounting, lobbying, professional fundraising, investment management, and other services, respectively. Include amounts regardless of whether a Form 1099 was issued to the independent contractor. Do not include on line 11 amounts paid to or earned by employees for these types of services, which must be reported on lines 5 through 7.

##### **Line 11b. Legal**

Enter amounts for legal services provided by attorneys. Do not include any penalties, fines, settlements or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 23, Miscellaneous. Report any amounts for lobbying services provided by attorneys on line 11d.

##### **Line 11c. Accounting**

Enter amounts for accounting, auditing, tax preparation, and other consulting services provided by accountants.

##### **Line 11d. Lobbying**

Enter amounts for lobbying and legislative liaison services. Include amounts for lobbying before federal, state, or local executive, legislative or administrative boards.

##### **Line 11e. Professional Fundraising Fees**

Enter amounts for fundraising services, including for conducting solicitation campaigns and for providing advice or other consulting services supporting in-house fundraising campaigns. Include the following:

- payments for printing, paper, envelopes, postage, mailing list rental, and equipment rental paid by a professional fundraiser;
- reimbursements an organization provides a professional fundraiser;
- deductions from proceeds provided to the organization

**TIP:** Do not include on line 11e salaries and wages for employees who undertake fundraising as part of their employment duties. These amounts must be reported on lines 5 or 7 as appropriate.

##### **Line 11f. Investment Management Fees**

Enter amounts for investment counseling and portfolio management. Monthly account service fees are considered portfolio management expenses, and must be reported here. Do not include brokerage fees

and commissions, which are considered sales expenses and are included on line 10b, Part IV Statement of Revenue.

**Line 11g. Other fees for services**

Enter amounts for other independent contractor services not listed on lines 11a through 11f. For example, amounts paid to an independent contractor for advocacy services that do not constitute lobbying should be reported here. For health care organizations, payments to health care professionals who are independent contractors are reported on line 11g.

**Line 12. Advertising Expenses**

Enter amounts for advertising and sponsorship. Include amounts for print and electronic media advertising. Also include Internet site link costs, signage costs, and amounts for the organization's in-house fundraising campaigns. Do not include fees paid to independent contractors for conducting outside fundraising campaigns (these amounts must be reported on line 11e).

**Line 13. Office Expenses**

Enter amounts for supplies (office, classroom, medical, or other supplies); telephone (cell phones and landlines) and facsimile; postage (overnight delivery, parcel delivery, trucking, and other delivery expenses) and mailing expenses; shipping materials; insurance (other than property or occupancy-related insurance which is reported on line 16); equipment rental; bank fees and other similar costs. Also include printing costs of a general nature. Printing costs that relate to conferences or conventions must be included on line 19.

**Line 14. Information Technology**

Enter amounts for information technology, including hardware, software, and support services, such as maintenance, help desk, and other technical support services. Also include expenses for infrastructure support, such as web site design and operations, virus protection and other information security programs and services to keep the organization's web site operational and secured against unauthorized and unwarranted intrusions.

**Line 15. Royalties**

Enter amounts for royalties, license fees and similar amounts that allow the organization to use third-party intellectual property for authorized purposes.

**Line 16. Occupancy**

Enter amounts for the use of office space or other facilities, including rent, heat, light, power, and other utilities expenses; property insurance; real estate taxes; mortgage interest; and similar occupancy-related expenses. Do not include expenses reportable as office expenses on Line 13, such as telephone expenses.

Do not net any rental income received from leasing or subletting rented space against the amount reported on line 16 for occupancy expenses. If the tenant's activities are related to the organization's exempt purpose, report rental income as program-service revenue on Part IV, Statement of Revenue, line 2c and allocable occupancy expenses on line 16. However, if the tenant's activities are not program-related, report the rental income on Part IV, Statement of Revenue line 9a and related rental expenses on line 9b.

Do not include employee salaries or depreciation as occupancy expenses. These expenses are reported on lines 5 through 7 and 22, respectively.

**Line 17. Travel**

Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and per diem payments. Travel costs include the expenses of purchasing, leasing, operating, and repairing any vehicles owned by the organization and used for the organization's activities. However, if the organization leases vehicles on behalf of its executives or other employees as

part of an executive or employee compensation program, the leasing costs are considered employee compensation, and are reported on lines 5 through 7.

**Line 18. Payments of Travel or Entertainment Expenses for any Federal, State or Local Public Officials**

Enter total amounts for travel or entertainment expenses (including reimbursement for such costs) for any federal, state or local public officials (as determined under section 4946(c)) and their family members (as determined under 4946(d)). The reported total amount should include:

- a. each separate expenditure relating to a government official or family member of such official that exceeds \$200, and
- b. aggregate expenditures relating to a government official or family member of such official that exceed \$1,000 for the year.

**Caution:** Do not double count expenditures that are described in both a. and b. above. For expenditures that are not specifically identifiable to a particular individual, the organization may use any reasonable allocation method to estimate the cost of the expenditure to an individual. Amounts not described in a. and b. above may be included in the reported total amount for line 18 or, provided that such amounts do not exceed 5% of total functional expenses, may be reported on line 23, Miscellaneous expenses. The organization is responsible for keeping records of all travel and entertainment expenses related to a government official regardless of whether reported on line 18 or line 23.

**Line 19. Conferences, Conventions, and Meetings**

Enter the total expense for conducting conferences, conventions, and meetings. Include such expenses as facility rentals, speakers' fees and expenses, and printed materials. Include the registration fees (but not travel expenses) paid for sending any of the organization's employees to conferences, conventions, and meetings conducted by other organizations. Travel expenses incurred by officers, directors, and employees attending such conferences, conventions and meetings must be reported on line 17.

**Line 20. Interest**

Enter total interest expense other than interest attributable to rental property (reported on Part IV, Statement of Revenue, line 9b) or any mortgage interest (reportable as an occupancy expense) on line 16.

**Line 21. Payments to Affiliates**

Enter certain types of payments to organizations affiliated with (closely related to) a reporting agency.

Payments to affiliated state or national organizations.

Dues paid by the local charity to its affiliated state or national (parent) organization are usually reported on Line 21. Report on this line predetermined quota support and dues (excluding membership dues of the type described below) by local agencies to their state or national organizations for unspecified purposes: that is, general use of funds for the national organization's own program and support services.

Purchases from affiliates.

Purchases of goods or services from affiliates are not reported on line 21 but are reported as expenses in the usual manner.

Expenses for providing goods or services to affiliates.

In addition to payments made directly to affiliated organizations, expenses for providing goods or services to affiliates may be reported on line 21 if:

1. The goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and
2. The costs involved are not connected with the management and general or fundraising functions of the reporting organization. For example, when a local organization gives a copy of its mailing list to the state or national organization, the expense of preparing the copy provided may be

reported on line 21, but not the expenses of preparing and maintaining the local organization's master list.

Federated fundraising agencies.

Federated fundraising agencies should include in their own support the full amount of contributions received in connection with a solicitation campaign they conduct, even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising agencies must report the allocations to participating agencies as grants and allocations and quota support payments to their state or national organization as payments to affiliates.

Voluntary awards or grants to affiliates.

Do not report on line 21 voluntary awards or grants made by the organization to its state or national organizations for specified purposes.

Membership dues paid to other organizations.

Report membership dues paid to obtain general membership benefits, such as regular services, publications, and other materials, from other organizations as miscellaneous expenses on line 23. This is the case, for example, if a charitable organization pays dues to a trade association comprised of otherwise unrelated members.

**TIP:** Properly distinguishing between payments to affiliates and grants and allocations is especially important if the organization uses Form 990 for state reporting purposes. If the organization uses Form 990 only for reporting to the IRS, payments to affiliated or national organizations that do not represent membership dues reportable as miscellaneous expenses on line 23 may be reported either on line 21 or line 1.

#### **Line 22. Depreciation, Depletion, and Amortization**

If the organization records depreciation, depletion, amortization, or similar expenses, enter the total on line 22. Include any depreciation or amortization of leasehold improvements and intangible assets.

An organization is not required to use the Modified Accelerated Cost Recovery System (MACRS) to compute depreciation reported on Form 990. The organization is required to maintain books and records to substantiate the depreciation, depletion, and amortization of amounts reported on line 22.

#### **Line 23. Miscellaneous Expenses**

Enter the types and amounts of miscellaneous expenses which were not reportable on lines 1 through 22. Organizations may report minor miscellaneous expenses as a single total; however, the total of such aggregated miscellaneous expenses may not exceed 5 percent of the total expenses reported on line 24, Column (A). However, the organization must separately list and report the amount, if any, of unrelated business income taxes on line 23.

#### **Line 24. Total Functional Expenses**

**501(c)(3) and (c)(4) organizations and section 4947(a)(1) nonexempt charitable trusts:** Add lines 1 through 23f and enter the totals on line 24 in columns (A), (B), (C), and (D). Report the total amounts for columns (B), (C), and (D) in Part I (Summary Page), lines 17, 18, and 19a.

**All other organizations:** Enter the amount on line 24, column (A) on Part I, line 20.

### **Part VI Balance Sheet**

All organizations must complete Part VI and may not submit a substitute balance sheet.

#### **Column (A) – Beginning of Year**

In column (A), enter the amount from the preceding year's Form 990 column (B). If the organization was excepted from filing Form 990 for the preceding year, enter amounts the organization would have entered

in column (B) for that year. If this is the organization's first year of existence, enter zeros on lines 17, 27 and 37 in column (A).

## **Column (B) – End of Year**

### **Line 1. Cash (Non-Interest Bearing)**

Enter the total funds that the organization has in cash, including amounts held as "petty cash" at its offices or other facilities, and amounts held in banks in non-interest bearing accounts. Also include cash held in investment accounts that has not been used to buy securities or other interest-bearing assets.

### **Line 2. Savings and Temporary Cash Investments**

Enter the combined total of amounts held in interest-bearing checking and savings accounts, deposits in transit, temporary cash investments (such as money market funds, commercial paper, and certificates of deposit), and U.S. Treasury bills or other governmental obligations that mature in less than a year. Do not include advances to employees or officers or refundable deposits paid to suppliers or other independent contractors.

**TIP:** Report the income from these investments on Part IV, Statement of Revenue line 4.

### **Line 3. Pledges and Grants Receivable, Net**

Enter the organization's total amount of pledges receivable and grants receivable net of any allowance for uncollectible pledges.

Organizations that follow Statement of Financial Accounting Standards (SFAS) 116 may report the present value of the grants receivable as of each balance sheet date.

### **Line 4. Accounts Receivable, Net**

Enter the organization's total accounts receivable (reduced by any allowance for doubtful accounts) from the sale of goods and the performance of services. Report claims against vendors or refundable deposits with suppliers or others here, if not significant in amount. Otherwise, report them on line 16, *Other assets*. Report the net amount of all receivables due from officers, directors, trustees, or key employees on line 5. Report receivables (including loans and advances) due from other disqualified persons on line 6. Receivables (including loans and advances) from employees who are not current or former officers, directors, trustees, key employees, or disqualified persons must be reported on Line 7.

### **Line 5. Receivables from Current Officers, Directors, Trustees, Key Employees**

Report the total of all receivables due from current or former officers, directors, trustees, key employees, highest compensated employees, and other related parties. The receivables reportable here include all secured and unsecured loans made to such persons. Report the detail of each receivable on Schedule L, Part I.

**TIP:** Report interest from such receivables on Part IV, Statement of Revenue line 13.

### **Line 6. Receivables from Other Disqualified Persons**

Section 501(c)(3) and 501(c)(4) organizations report the receivables due from disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(3)(B). Do not include on Line 6 amounts reported on Line 5. Report the detail of each receivable on Schedule L, Part I.

### **Line 7. Notes and Loans Receivable, Net**

Enter the net amount of all receivables (notes and loans) not listed on lines 5 and 6, including receivables from unrelated third parties. The term "unrelated third parties" includes independent contractors providing goods or services and employees who are not current or former officers, directors, trustees, key employees, or disqualified persons. Do not include the following:

- ☐ Receivables reportable on line 4a.
- ☐ Program-related investments reportable on line 14.

☐ Notes receivable acquired as investments reportable on line 12.

**Line 8. Inventories for Sale or Use.**

Enter the amount of materials, goods, and supplies held for future sale or use, whether purchased, manufactured by the organization, or donated.

**Line 9. Prepaid Expenses and Deferred Charges.**

Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, or pension costs, and expenses incurred for a solicitation campaign in a future accounting period.

**Line 10. Investments: Publicly Traded Securities.**

Enter the total value of publicly traded securities held by the organization as investments. Publicly traded securities include stocks, bonds, Treasury bills and mutual funds. Report dividends and interest from these securities on Part IV, Statement of Revenue, line 5.

**Line 11. Investments –Other Securities**

Enter the amount from Schedule D, Part I, column (b)

**TIP:** Report the income from these assets on Part IV, Statement of Revenue, line 5.

**Line 12a. Investments - Land, Buildings, and Equipment**

Enter the total amount from Schedule D, Part II column (b).

**Line 12b. Accumulated Depreciation**

Enter the total amount from Schedule D, Part II column (c).

**Line 12c. Column (B) End of Year**

Enter the total amount from Schedule D, Part II column (d)

**TIP:** Report the income from these assets on Part IV, line 8.

**Line 13. Other Investments**

Enter the total amount from Schedule D, Part III, column (b).

**TIP:** Report the income from these assets on Part IV, line 8.

**Line 14. Program-Related Investments**

Enter the total amount from Schedule D, Part VI, column (b).

**Line 15a. Program-Related - Land, Buildings, and Equipment**

Enter the total amount from Schedule D, Part V column (b).

**Line 15b. Accumulated Depreciation**

Enter the total amount from Schedule D, Part V column (c).

**Line 15c. Column (B) End of Year**

Enter the total amount from Schedule D, Part V column (d)

**Line 16. Other Assets**

Enter the total amount from Schedule, D, Part VI, column (b).

**Line 17. Total Assets**

The organization should add the totals in Columns A and B, Lines 1 through 16. The amounts on line 17 must equal the amounts on line 35 for both the beginning and end of the year.

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**Line 18. Accounts Payable and Accrued Expenses**

Enter the total of accounts payable to suppliers, service providers, property managers and other independent contractors, plus accrued expenses such as salaries payable, accrued payroll taxes, and interest payable.

**Line 19. Grants Payable**

Enter the unpaid portion of grants and awards that the organization committed to pay other organizations or individuals, regardless of whether the commitments have been communicated to the grantees.

**Line 20. Deferred Revenue**

Enter the deferred revenue that the organization has received but not yet earned as of the balance sheet date under its method of accounting.

**Line 21. Tax-Exempt Bond Liabilities**

Enter the amount of tax-exempt bonds (or other obligations) issued by the organization on behalf of a state or local governmental unit, or by a state or local governmental unit on behalf of the organization, and for which the organization has a direct or indirect liability. Tax-exempt bonds include state or local bonds and any obligations, including direct borrowing from a lender, or certificates of participation, the interest on which is excluded from the income of the recipient for federal income tax purposes under section 103.

The organization must also complete Schedule K, Supplemental Information on Tax-Exempt Bonds.

**Line 22. Escrow Account Liability**

Enter the amount of funds or other assets held in escrow for other individuals or organizations. Enter these amounts only if the assets are reported on lines 1 through 16 above. If the organization has signature authority over, or another interest in an escrow account for which it does not claim the assets or liabilities, it must report the amounts in Part XI of Schedule D "*Supplemental Financial Statements*."

**Line 23. Payables to Current and Former Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

Enter the unpaid balance of loans payable to current and former officers, directors, trustees, key employees, and highest compensated employees. The organization must also complete Schedule L.

**Line 24. Mortgages and Notes Payable to Unrelated Third Parties**

Enter the total amount of mortgages and other notes payable to financial institutions and other third parties that are secured by investment or other real property as of the end of the tax year.

**Line 24a. Secured by Investment Property**

Enter the total on **line 24a of the liabilities secured by** investment property shown on lines 10, 11, 13 and 14. (If the mortgage is owed to a related entity, enter the amount on line 26 even if secured by investment property.)

**Line 24b. Secured by Land, Buildings and Equipment**

Enter the total amount of all mortgages secured by land, buildings and/or equipment shown on line 12 and 15. Enter the total on line 24b. (If the mortgage is owed to a related entity, enter the amount on line 26 even if secured by land, buildings and equipment held for investment purposes).

**Line 25. Unsecured Notes and Loans Payable**

Enter the total amount of notes and loans payable that are owed to financial institutions or other unrelated third parties but are not secured by the organization's assets.

**Line 26. Other Liabilities**

Enter the total amount from Schedule D, Part VII, column (b).

## **Net Assets and Fund Balances**

Statement of Financial Standards (SFAS) 117, issued by the Financial Accounting Standards Board, clarifies generally accepted accounting principles with regard to how charities and other nonprofits report contribution information on their annual financial statements. It went into effect for large nonprofits (over \$5 million in assets) for fiscal years after December 15, 1994, and was available for use by other nonprofits a year later. SFAS 117 does not apply to credit unions, voluntary employees' beneficiary associations, supplemental unemployment benefit trusts, section 501(c)(12) cooperatives, and other member benefit or mutual benefit organizations.

**TIP:** Some states may require reporting in accordance with SFAS 117. Check with your state.

**Organizations that follow SFAS 117.** If the organization follows SFAS 117, check the box above line 28, and complete lines 28 through 30 and lines 34 and 35. In completing lines 28 through 30, the organization should classify and report net assets in three groups—unrestricted, temporarily restricted, and permanently restricted—based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. Show the sum of the three classes of net assets on line 34. On line 35, add the amounts on lines 27 and 34 to show total liabilities and net assets. This figure should be the same as the figure for *Total Assets* on line 17.

### **Line 28. Unrestricted Net Assets**

Enter the balance as recorded on the organization's books of unrestricted net assets. Unrestricted net assets are those assets not restricted by the donors. All funds without donor-imposed restrictions must be classified as unrestricted.

### **Line 29. Temporarily Restricted Net Assets**

Enter the balance as recorded on the organization's books of temporarily restricted net assets. Donors' temporary restrictions may require that resources be used after a specified date (time restriction), or that resources be used for a specified purpose (purpose restriction), or both.

### **Line 30. Permanently Restricted Net Assets**

Enter the balance as recorded on the organization's books of permanently restricted net assets. Permanently restricted net assets are (a) assets, such as land or works of art, donated with stipulations that they be used for a specified purpose, be preserved, and not be sold or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The latter results from gifts or bequests that create permanent endowment funds.

**Organizations that do not follow SFAS 117.** If the organization does not follow SFAS 117, check the box above line 31 and complete lines 31 through 35. Report capital stock, trust principal, or current funds on Line 31. Report paid-in capital surplus or land, building, or equipment funds on Line 32. Report retained earnings, endowment, accumulated income or other funds on Line 33.

The organization should report total net assets on Line 34 by combining the totals for Lines 31 through 33. It should complete line 35 by adding the totals on Lines 27 and 34; this amount must equal the total on Line 17.

### **Line 31. Capital Stock, Trust Principal, or Current Funds**

For corporations, enter the balance of capital stock as recorded on the corporation's books. Show par or stated value (or for stock with no par or stated value, total amount received on issuance) of all classes of stock issued and, not yet cancelled. For trusts, enter the amount in the trust principal or corpus. For organizations using the fund method of accounting, enter the balances of their current restricted and unrestricted funds.

### **Line 32. Paid-In or Capital Surplus, or Land, Building, and Equipment Fund**

Enter the balance of paid-in capital in excess of par or stated value for all stock issued and not yet cancelled, as recorded on the corporation's books. If stockholders or others made donations that the



organization records as paid-in capital, include them here. Enter the fund balance for the land, building, and equipment fund on this line.

**Line 33. Retained Earnings or Accumulated Income, Endowment, or Other Funds**

For corporations, enter the balance of retained earnings as recorded on the corporation's books, or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance in the accumulated income or similar account. For those organizations using the fund method of accounting, enter the total of the fund balances for the permanent and term endowment funds as well as balances of any other funds not reported on lines 31 and 32.

**Line 34. Total Net Assets or Fund Balances**

For organizations that follow SFAS 117, enter the total of lines 28 through 30. For all other organizations, enter the total of lines 31 through 33.

## **Part VII Statements Regarding General Activities**

**Lines 1a, 1b and 1c.**

If an organization answers "Yes" to any of these questions, it must complete and attach Schedule F.

**Line 1c. Foreign Accounts**

Check the "Yes" box if either 1 or 2 below applies:

1. At any time during the calendar year, the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); and
  - a. The combined value of the accounts was more than \$10,000 at any time during the calendar year; and
  - b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.
2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1 above.

If the "Yes" box is checked, file Form TD F 90-22.1 by June 30, 200[x], with the Department of the Treasury at the address shown on the form.

Form TD F 90-22.1 is available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at [www.irs.gov](http://www.irs.gov). Do not file FORM TD F 90-22.1 with the IRS or attach it to Form 990.

**Line 3. Credit Counseling, Debt Management, Credit Repair**

Answer "Yes" and complete *Schedule D, Part XI Trust and Escrow Accounts* if the organization provides any of the following types of credit counseling and/or debt management activities:

- Educating and/or counseling consumers, in person, in writing, or using electronic means;
- Helping consumers consolidate debts;
- Negotiating with creditors on behalf of consumers to lower interest rates, waive fees, adjust balances, or restore acceptable credit ratings;
- Offering, selling, or managing debt and/or loan consolidation services and programs or down payment assistance services;
- Acting as an escrow agent for debtors; or
- Participating in creditor Fair Share arrangements.

**Line 5. Collections of works of art.** Answer "yes" if the organization maintains such collections, regardless of whether the organization reports revenues and assets relating to such collections in its financial statements.

**Line 6a.** Answer “Yes” if the organization had any tax-exempt bonds outstanding at any time during the tax year. Complete and attach Schedule K for each tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the tax year. The organization must include bonds that are no longer reported on its financial statements as a result of a legal defeasance of the bonds.

**Line 6b.** The organization need not include investments of customary reserve funds as an investment of net proceeds for purposes of line 6b.

**Line 8a.** Answer “Yes” if the organization conducted exempt activities through or using one or more partnerships, limited liability companies, or corporations and the aggregate exempt activities conducted through or by such entities involved a substantial portion of the organization’s capital expenditures or operating budget, or a discrete segment or activities of the organization that represent a substantial portion of the organization’s assets, income, or expenses of the organization, as compared to the organization as a whole.

**Line 8b.** Describe the entity’s primary activity, e.g., operate a hospital, the organization’s ownership percentage (highest percentage based on vote or value), and the type of entity (exempt charitable, exempt other, partnership, limited liability company, C corporation or S corporation).

**Line 8c.** Answer “yes” if the organization holds an ownership interest in an entity if that entity is managed by a separate company that is controlled by taxable owners of such entity.

#### **Line 10. Schools**

Answer “Yes” if the organization operates a school whose function is the presentation of formal instruction, and which regularly has a faculty, a curriculum, an enrolled body of students, and a place where educational activities are regularly conducted. All schools that checked the box on line 2 of Schedule A, Part I, must check this box “yes” and complete Schedule E.

#### **Line 12. Safeguarding Exempt Status**

Answer “Yes” if the organization has adopted a policy that requires the organization to negotiate in its transactions and arrangements with other organizations such terms and safeguards adequate to ensure that the organization’s exempt status is protected. One such safeguard is control by the organization over a partnership sufficient to ensure that the partnership furthers the exempt purpose of the organization. Other safeguards are requirements that a partnership in which the organization is a partner give priority to exempt purposes over maximizing profits for the partners; that the partnership not engage in any activities that would jeopardize the organization’s exemption; that returns of capital, allocations and distributions be made in proportion to the partners’ respective ownership interests; and that all contracts entered into by the partnership with the organization be on arm’s-length terms, with prices at fair market value. If a related organization does not substantially further the exempt purposes of the organization, safeguards might include steps taken to ensure that the related organization’s activities will not be attributed to the organization, or if they are, will not be sufficient to threaten the organization’s exempt status.

#### **Line 14 Section 501(c)(7) Organizations**

Answer line 14 if the organization is a section 501(c)(7) organization. Skip these lines if the organization is not exempt under 501(c)(7).

#### **Line 14a. Initiation Fees and Capital Contributions**

Enter the amount of initiation fees and capital contributions included in Part IV, Statement of Revenue, Line 14, Total Revenue. However, if the organization is a college fraternity or sorority that charges membership initiation fees but not annual dues, do not include such initiation fees on Part VII, Line 14a.

#### **Line 14b. Gross Receipts From Public Use of Facilities**

Enter the amount of gross receipts, included in Part IV, Statement of Revenue, Line 14, Total Revenue, derived from the general public for the use of the organization's facilities, that is, from persons other than members, their spouses, dependents, or guests. Include this amount on Form 990-T.

**Line 15. Section 501(c)(12) Organizations**

Answer line 15 if the organization is a section 501(c)(12) organization. Skip these lines if the organization is not exempt under 501(c)(12).

One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term *gross income* is gross receipts without reduction for any cost of goods sold.

Gross income for mutual or cooperative electric companies is figured by excluding any income received or accrued from:

1. Qualified pole rentals,
2. Any provision or sale of electric energy transmission services or ancillary services if the services are provided on a nondiscriminatory open access basis under an open access transmission tariff; approved or accepted by the Federal Energy Regulatory Commission (FERC) or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member),
3. The provision or sale of electric energy distribution services or ancillary services if the services are provided on a nondiscriminatory, open-access basis to distribute electric energy not owned by the mutual or electric cooperative company:
  - a. To end-users who are served by distribution facilities not owned by the company or any of its members (other than income received or accrued directly or indirectly from a member), or
  - b. Generated by a generation facility not owned or leased by the company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member).
4. From any nuclear decommissioning transaction, or
5. From any asset exchange or conversion transaction.

For a mutual or cooperative telephone company, *gross income* also does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, or from the sale of display listings in a directory furnished to the telephone company's members. Also, gross income does not include amounts received or accrued as qualified pole rentals.

**Line 16.** Answer "Yes" if the organization holds assets in term or permanent endowment funds regardless of whether the organization follows SFAS 117 and reports endowments in Part VI, Balance Sheet, line 33.

**Line 17. Schedule B Requirements.**

A schedule B is required to be completed and attached as follows.

- In general, any organization that received, during the year, \$5,000 or more (in money or property) from any one contributor.
- A section 501(c)(3) organization that met the 33⅓% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1g of Form 990, Part IV.
- For a section 501(c)(7), (8), or (10) organization filing, that received, during the year, contributions or bequests for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals.

**Part VIII Statements Regarding Other IRS Filings**

**TIP:** See *Glossary* for definition of terms used in the questions in this section.

**TIP:** If the organization answers “Yes” to any of the questions 1-7, it may need to file Form 4720.

### **Line 5b. Description of Excess Benefit Transactions**

If the answer Line 5a or 5b is “Yes,” complete the table in Line 5c. For each excess benefit transaction:

- Identify the disqualified persons involved in the transaction;
- Describe the transaction; and
- State whether the transaction has been corrected.

### **Line 5d. Taxes Imposed on Organization Managers or Disqualified Persons**

For line 5d, enter the amount of taxes imposed on organization managers or disqualified persons under sections 4958, unless abated.

### **Line 6. Disclosure of Excess Business Holdings**

Answer “Yes” if the organization is a supporting organization or a sponsoring organization of a donor advised fund that had excess business holdings at any time during the organization’s tax year. See the Instructions for Form 4720, *Schedule C*, to determine if the organization is subject to the excess business holdings tax under section 4943. If the organization answered “Yes” to line 6, it must also file Form 4720.

**Donor advised funds.** For purposes of the excise tax on excess business holding under section 4943, a donor advised fund will be treated as a private foundation. For a definition of “donor advised fund” and “sponsoring organization,” see the *Glossary*. Also see the *Glossary* to determine who is considered a disqualified person for purposes of determining the excise tax on excess business holdings for a donor advised fund.

**Supporting organizations.** Only certain supporting organizations are subject to the excess business holdings tax under section 4943. These include:

- Type III supporting organizations that are not functionally integrated; and
- Type II supporting organizations that accept any gift or contribution from a person who, by himself or in connection with a related party, controls the supported organization of such Type II supporting organization.

To determine if the organization is a supporting organization and if so, what type of supporting organization it is, see the Instructions for *Schedule A, Part I, Line 11*.

### **Line 7a. Section 4966 Excise Tax on Taxable Distributions**

Any distribution from a donor advised fund is subject to an excise tax under section 4966 unless both: (1) the distribution is for a charitable purpose (i.e., a purpose described in section 170(c)(2)(B)), and (2) the organization exercises expenditure responsibility with respect to the distribution.

Any distribution from a donor advised fund to an individual (as opposed to an organization) is subject to an excise tax under section 4966, whether a grant, reimbursement, payment of compensation for services, or other distribution. Sponsoring organizations and fund managers liable for the tax must file Form 4720. In determining whether a distribution to an organization is to be treated as a distribution to an individual (due to earmarking or reserving the right to name the individual distributee), rules similar to Reg. 53.4945-4(a)(4) shall apply.

### **Line 7b. Section 4967 Excise Tax on Prohibited Benefits**

If an organization makes a distribution from a donor advised fund resulting from the advice of a donor advisor or related person that directly or indirectly benefits the donor, donor advisor, a family member, or

a 35% controlled entity, Section 4967 imposes a tax on the advisor and beneficiary, and on a fund manager for knowingly agreeing to make the distribution. Such persons must file Form 4720 to pay the tax.

#### **Line 8a. Unrelated Business Income**

Check "Yes" on line 8a if the organization's total gross income from all of its unrelated trades and businesses is \$1,000 or more for the year. Gross income is the amount of gross receipts less the cost of goods sold. See Pub. 598 for a description of unrelated business income and the Form 990-T filing requirements for organizations having such income.

**Form 990-T is not a substitute for Form 990.** Report on Form 990 items of income and expense that are also reported on Form 990-T when the organization is required to file both forms.

**Line 8b.** Answer "Yes" if the organization filed the Form 990-T by the time this Form 990 is filed. Do not check "Yes" if the organization has filed an extension but has not filed the Form 990-T.

**Caution:** All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income if they expect their tax liability to be \$500 or more. Use Form 990-W to compute this tax.

**Line 9b.** If the organization reported at least one employee on line 9a, answer whether it filed all required federal employment tax returns (Forms 940 and 941) relating to such employees.

**Line 10.** Answer "Yes" if the organization filed with the IRS, and provided copies to all applicable payees, Forms 1099. Examples of payments requiring Form 1099 reporting include certain payments to independent contractors for services rendered.

#### **Line 11a and 11b. Disclosure Requirements for Charitable Contributions**

If the organization received a contribution of more than \$75 for which it provided the donor goods or services in return, it must notify the donor of the value of the goods and services provided.

**Example.** A donor gives a charity \$100 in consideration for a concert ticket valued at \$40 (a quid pro quo contribution). In this example, \$60 would be deductible. Because the donor's payment exceeds \$75, the organization must furnish a disclosure statement even though the taxpayer's deductible amount does not exceed \$75. Separate payments of \$75 or less made at different times of the year for separate fundraising events will not be aggregated for purposes of the \$75 threshold.

**TIP:** See Publication 1771, *Charitable Contributions: Substantiation and Disclosure Requirements*.

#### **Line 12. Solicitations of Nondeductible Contributions**

Any fundraising solicitation by or on behalf of any section 501(c) or 527 organization that is not eligible to receive contributions deductible as charitable contributions for federal income tax purposes must include an explicit statement that contributions or gifts to it are not deductible as charitable contributions. The statement must be in an easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone. This provision applies only to those organizations whose annual gross receipts are normally more than \$100,000 (section 6113 and Notice 88-120, 1988-2 C.B. 454).

Failure to disclose that contributions are not deductible could result in a penalty of \$1,000 for each day on which a failure occurs. The maximum penalty for failures by any organization, during any calendar year, shall not exceed \$10,000. In cases where the failure to make the disclosure is due to intentional disregard of the law, more severe penalties apply. No penalty will be imposed if the failure is due to reasonable cause (section 6710).

All organizations that qualify under section 170(c) to receive contributions that are deductible as charitable contributions for federal income tax purposes should answer "No".

**TIP:** See Publication 1771, *Charitable Contributions: Substantiation and Disclosure Requirements*.

**Line 13.** The organization must answer “Yes” if it was required to file Form 8282, *Donee Information Return*, to report information to the IRS and to donors about dispositions of certain charitable deduction property made with three years after the donor contributed to the property.

**Line 14.** Form 8899, *Notice of Income from Donated Intellectual Property*, must be filed by certain organizations that received a charitable gift of qualified intellectual property that produces net income. The organization should check “Yes” if it provided all required Forms 8899 for net income produced by donated qualified intellectual property.

## **Part IX Statement of Program Service Accomplishments**

A program service is a major (usually ongoing) objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters.

### **Line 1. Change in Activities**

Explain any significant changes in the activities the organization conducts to further its exempt purposes. Include any new or changed activities that were neither described in the organization’s application for exemption nor previously reported either to the Director, EO Examinations, or on a prior year’s Form 990. Also, describe any major program activities that have been discontinued.

### **Line 2. Most Significant Accomplishment**

Describe the organization’s most significant accomplishment for the year.

### **Lines 3a-3c. Program Service Accomplishments**

All organizations must describe their exempt purpose achievements for each of their three largest program services (as measured by total expenses incurred). If there were three or fewer of such activities, describe each program service activity.

- Describe program service accomplishments through measurements such as clients served, days of care, therapy sessions, or publications issued.
- Describe the activity’s objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity.
- Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated.
- Be clear, concise, and complete in the description. Do not provide an attachment.

In Column (A), Direct Revenue, report any revenue derived from fees for services or from the sale of goods that directly relate to the listed activity.

If part of the total expenses of any program service consists of grants and allocations reported in *Part V, Statement of Functional Expenses, Lines 1-3*, enter the amount of grants and allocations in the space provided and include the grants and allocations in the *Expenses* column.

- Section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts, must show the amount of grants and allocations to others and must enter the total expenses for each program service reported.
- For all other organizations, completing the *Program Services Expenses* column (and the *Grants and allocations* entry) is optional.

### **Line 3d. Other Program Services**

Attach a schedule that lists the organization’s other program services.

- The detailed information required for the three largest services is not necessary for this schedule.
- Section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts, however, must show the expenses attributable to these other program services.

**Donated Services.**

The organization may show the amount of any donated services, or use of materials, equipment, or facilities it received or utilized in connection with a specific program service.

- Disclose the applicable amounts of any donated services, etc., on the lines for the narrative description of the appropriate program service.
- Do not include these amounts in the *Program Service Expenses* column.
- See the instructions for *Part IV, Line 1, Donated Services or Facilities*.